the Freeman

Ideas on Liberty

MARCH 1974

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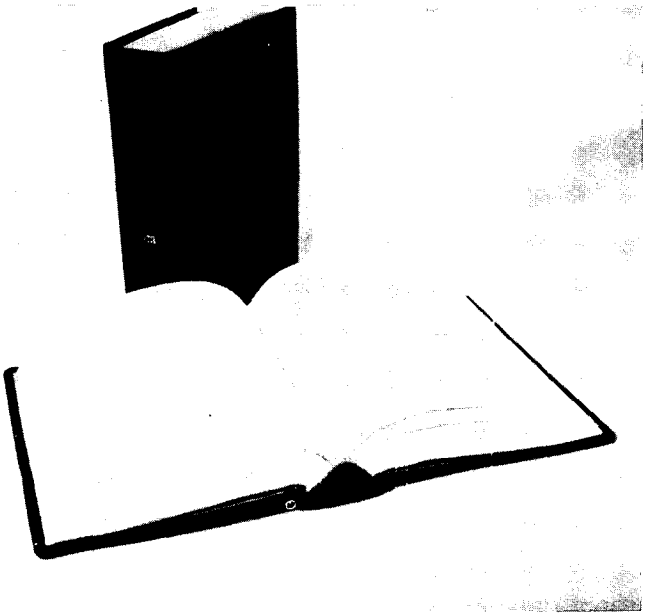

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A MONTHLY JOURNAL OF IDEAS ON LIBERTY

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GARY NORTH

PUBLIC GOODS and Fear of Foreigners

BACK IN THE DEAR, dead days of the Sputnik mania, Americans were told that they were in a great economic race with the Soviet Union. We were going to have to tighten our financial belts and "get America moving again." In the rhetoric of the 1960 campaign for the Presidency, this meant more government spending. The man who coined the slogan for John F. Kennedy was Walt Rostow, whose 1960 book, *The Stages of Economic Growth,* became a best-seller. In it, Rostow argued that the so-called take-off into sustained national prosperity could be accomplished, in part, by heavy government expenditures in "social overhead capital" – highways, education, health care facilities, and so forth. Professional economic historians devastated his thesis' historical examples in a little-known book published in 1963, *The Economics of Take-Off into Sustained Growth* (St. Martins, 1963), edited by Rostow, but the public never heard of it, including most of the academic public. The reaction against Rostow's vision came only after 1965.

Since the mid-1960's, a flood of academic and pseudo-academic studies has been published on the growth question. Zero population growth, the no-growth economy, and the no-growth urban region have all been ballyhooed. Even no-growth government – incredible

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prior to 1965 – has been at least discussed in academic circles. But the standard argument today is that the economics of zero growth can be achieved only with the direct interference of the political authorities (just as, in 1960, it was assumed that continuous economic growth could be sustained only by means of direct government interference). Those who have faith in the State are not likely to overcome their infatuation just because their goals have been reversed. Only with a change in operating principles should we expect to see a reversal of the juggernaut State.

Economic growth is now too often regarded as a threat to the nation or to a community. Some people fear that we will deplete our national resources. This is quite likely, if the various agencies of government insist on imposing price controls on key resources, thus stimulating demand for them without simultaneously stimulating a search for suitable substitutes. Either the State rations the goods politically – an invitation to corruption and inefficiency – or else one day we run out of the resource, and we find that the transition to alternative substitutes must be accomplished overnight, at considerable waste and expense.

Other people fear economic growth because of their fear of social change. They wish to preserve a monopolistic position, socially or economically, and they can sometimes influence legislators to restrain newcomers in the search for profit or position. This has been the primary result of America's supposed antitrust legislation; newer, more efficient competitors are locked out of the markets by legal restraints on price competition. This has been documented by D. T. Armentano's book, *The Myths of Antitrust* (Arlington House, 1972), but the mythology is deeply ingrained in the textbooks. Monopolies continue to be created by the legislation which is supposed to halt monopolies.

But the most important fear of economic growth in terms of its political impact is the fear of bankrupt municipal treasuries. This is one argument against local growth that cuts across ethnic and class boundaries. Almost everyone resists any increases in his taxes, especially property taxes. This is the arena of the battle against economic growth today.

Subsidized Shortages

Perhaps the best way to illustrate my point is by means of an historical example. On May 15, 1972, the Tarrytown, N. Y. Planning Board vetoed the construction of 348 town house apart-

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ments on a local 25-acre site. Some 60 people jammed the Village Hall to protest the proposed development. "I think it will be a long time before they want apartments in Tarrytown again," commented one of the planning board members after the meeting. "They've had it." (*The* [Tarrytown] *Daily News*, May 16, 1972, second front page.)

Why the opposition? Because the local streets would be overburdened by a proposed increase of 700 automobiles. Anyone who has tried to drive through Tarrytown at peak traffic hours – any time other than midnight to five a.m. – knows how accurate the complaint was. The streets, needless to say, are "free" goods. Second, the village did not need any new apartments. Anyone who has ever attempted to find housing near Tarrytown knows how inaccurate that assertion was. But an absence of available housing kept "undesirables" out and returns to owners of rental property high. Finally, there was a fear of the strain on existing village services – strains that might lead to tax increases. They wanted to restrain access to other "free" goods.

"Who wants this?" asked one resident. "I've talked to people all over town" – a dozen? his next-door neighbors? – "and I've found no one who has the slightest desire." The trouble with all such surveys, however sophisticated, is that they never ask those living outside the municipality whether or not they would like to move into a region. Those arbitrarily excluded from the town are then forced to seek less desirable housing or surroundings.

A Demand for More

The overwhelming difficulty with all State-subsidized "services" is that they create demand for more such subsidized services. The only exceptions to this rule are those projects so utterly without redeeming social value that nobody wants them at any price. Either the parks or streets get overcrowded, or the power lines get overburdened, or the telephone lines get jammed. The government agency then is forced to increase its revenues by placing higher prices on the services (unpopular with those already enjoying the subsidy), or by increasing taxes (somewhat less politically objectionable, since resistance is usually diffused in numbers and therefore less vocal in opposition). So residents feel compelled to place restraints on newcomers who will not pay their way.

This is not an isolated phenomenon. If anything, the problem is getting worse, since the "war on poverty" programs at all levels of

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government in the 1960's have created new demands for services, some of which were inconceivable in 1950. *U.S. News & World Report* (Dec. 10, 1973) describes the opinions of residents of Hoffman Estates, a suburban community 30 miles northwest of Chicago. It keeps doubling its population, as more and more people leave the Chicago residential areas. One woman, describing how the once empty fields have filled up with homes, now complains: "We've heard people describe the apartment complexes as a tumor engulfing the whole area. The people are O.K., but these apartments crowd the schools and raise taxes." She sees the construction of apartments as a tumor; the desire of others to move into more acceptable housing is a threat.

If someone wants open spaces next door, he can purchase the land and leave it empty. Such a purchase must be paid for: property taxes, forfeited purchases of other commodities, increased worry about upkeep, and so forth. The buyer must defend his ownership economically every day. He forfeits the rent that the land would bring; he keeps out other potential users of the land. It is expensive, especially as the other available plots of open land are gobbled up by apartments. But it is possible to keep a personal lifestyle if the buyer wants to pay for it.

But people do not want to pay for it. They think that because they moved into a small, semi-rural community five years ago that they have some kind of automatic right to the older conditions' blessings, even when new economic conditions appear. They mistake the *right to compete for* land or open spaces for a *property right to* the land. They call in the political authorities to defend their "property rights" to semi-rural life at below-cost rates. They exclude others from the competition by force, rather than by economic means.

What if there were no publicly supported school system? What if all the schools were private, or even profit-making institutions? Then every school would want to encourage new faces, and local citizens would not see their pocketbooks threatened by new arrivals. What if the parks and swimming pools and street lights were supplied by profit-making firms? No one would have to pay for another person's consumption. The threat would rapidly disappear. New faces would mean new sources of profit, new sources of productive services, new people to trade with, a wider, more productive local market. But with an ever-growing list of "free" municipal services,

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outsiders are regarded with suspicion and hostility. These are the direct effects of "free" services and goods – not side-effects, but effects. They receive little publicity in the press; such costs are not counted in the professional surveys made by graduates of the public administration departments of the universities.

New Apartments Resented

People who live in apartments, especially newly constructed apartments, generally have children. Low-cost apartments make this doubly true. Or if not children, then older, poorer people live in them. They draw on local tax resources. They are resented. So new apartments are resented. They are money losers for the municipal governments. Prof. William Alonso, in the Fall, 1973 issue of *Daedalus*, puts his finger on the issues involved:

> Suppose that growth is restricted. What happens to the people who would have moved in but could not? Obviously neither they nor their children cease to exist. They will find second-choice homes; their children will go to more run-of-the-mill schools and impose their costly presence on people who are less able to afford this added burden than the wealthy residents of the suburb in question. It would appear that they will be worse off, and so perhaps will the present residents of wherever they end up. The rub is that what seems from the local viewpoint an issue of growth is, in a larger framework, an issue of distribution, both in the social and in the geographic sense – not whether these people and their children shall exist, but where and how.

Alonso concludes, grimly: "The point of the example is that the current Balkanization of metropolitan areas into dozens and even hundreds of local governments encourages beggar-thy-neighbor strategies." The point he does not make, however, is that the incentive behind these strategies would be drastically reduced if the primary source of the difficulty were removed: below-cost or "free" municipal services.

It is interesting, to say the least, that one agency in the state of New York has been exempted from all local zoning laws: the Urban Development Corporation. This is the agency that constructs below-cost public housing for minority groups and builds them in residential areas. There is no doubt that this does disrupt a local community. This is not the slow, steady change encouraged by free market pricing, but rather the instant-transformation, jerky-alteration social and economic change of the State-supported welfare agency. The resentment against the Urban Development

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Corporation or similar New York City agencies is legendary, and New Jersey residents are not noticeably more "liberal" in their attitudes. Push comes to shove; zoning law coercion becomes anti-zoning law coercion. And as zoning shifts from local communities to state governments or even Federal agencies, the intensity of the coercion and the mob reaction will be that much worse. Yet this is where the trend is headed (*U.S. News & World Report*, March 6, 1972: "Fight Over Zoning Heats Up").

A Moral Question

Ultimately, the problem is not simply technical. It is a moral and religious question. Do men have a right to property that they have not or will not purchase for themselves? Do local residents have the right to maintain their life-styles at below-cost prices? Does one family have the right to educate its children at the expense of some other family? So long as a vocal minority and a silently assenting majority of people answer yes to such questions, the fight over zoning will indeed heat up.

But it is not just the school question, either. In Fairfax, Virginia, a relatively wealthy suburb of Washington, D. C., there has been a moratorium on the construction of new sewers, as well as restrictions on new building permits. Why should this be necessary? Why can't the municipal authorities add new residents to the sewer lines? Because it would necessitate an increase in taxes to treat the sewage successfully. No one considers the other possibility: private sewage treatment.

Given the tremendous pressures in Fairfax for new homes, land costs have skyrocketed. An acre of land without the sewer line may be worth $5,000; with the sewer, $15,000 or more would be likely. Thus, the mere addition of a sewer line grants a huge subsidy to local land owners. Is it not reasonable to suspect that a private firm could find a way to make a profit under such circumstances? Is it not likely that many thousands of dollars could be generated from the sale of sewer lines? Would not local owners be willing to pay a thousand or even two thousand dollars to be allowed to hook into a line that would grant them an instant increase in the value of their property? But local, "publicly owned" sewers are supposed to be priced "fairly," that is, below the value of the service. So heavy demands are placed upon the municipal authorities to build more and more lines, and expand the treatment facilities as well. Only taxes are not supposed to go up, or if they are, they must be

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paid by those who have not yet been allowed to hook up to the lines. Under such circumstances, it is not difficult to understand that a moratorium on sewer construction has been imposed. Economic growth – best defined as an increase of people's voluntary options – slows down.

Some municipalities are now requiring housing developers to build public schools in order to get licensed. Others are not allowed to expand at all. With the ecology pressure groups all around, developers are assumed to be guilty before they can prove themselves innocent. They must conform to other's conception of aesthetics (not just medically harmful or land-value-depressing pollution, but aesthetics). So growth slows down.

Nothing New

The problem is very old. The poor law legislation of early modern England forced parishes to care for indigents. As a result, potential indigents were not allowed to come to a new parish. The same result took place in seventeenth-century New England when the Puritans imitated the poor laws by establishing tax-supported charities (although they were incredibly tiny efforts by modern standards). Visitors could stay only a few days or weeks; if they stayed longer, they became potential permanent charges of the public treasury. Thus, restrictions were placed on the sale of land or rentals throughout the century in virtually every town. Town officials had to approve every such sale.

The problem is simple: public goods are in short supply in comparison to demand. The prices of the goods are politically imposed. Thus, communities want to restrict access to these goods and services. They use political coercion to keep outsiders away from the treasury. Only those who are clearly not tax liabilities are greeted with open arms. The conclusion is simple enough: reduce the level of the redistribution of wealth by coercion within any community, and you thereby increase the options of the inhabitants and potential inhabitants to make economic decisions without legal sanctions or public censure. In short, economic growth is furthered by increasing freedom. The very nature of the local redistribution of wealth restricts men's options, and by definition this restricts economic growth. By abolishing these redistribution schemes, you reduce the fear and hatred of outside "invaders," and civilized life becomes more likely. Let every man pay his own freight, and the costs of shipping will go down.

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Land Use Regulation—

A Tool of Politics, Not of Planning

Bernard H. Siegan

IN THE PRESENT nationwide controversies on land use regulation, one concept appears largely unchallenged: it is government land use planning. There seems to be much agreement that public planning for the use of land is both necessary and desirable. Surprisingly, even strong opponents of zoning at times have conceded the virtues of land use planning at some levels of government.

When two diametrically opposed parties each contend that their views are consistent with and supported by "sound planning," one cannot help but wonder what they really mean, for both cannot be correct. Thus it is not uncommon at public hearings for environmentalists to contend their proposals are supported by better or sounder planning and for the prodevelopment groups to argue precisely the opposite. Moreover, in these controversies, each side usually bulwarks its position with testimony from planning experts.

There is obviously much appeal in the notion that we must have more and better planning. After all, goes the refrain, if we had only planned our cities better, there would be less pollution, less congestion, no slums, more beautiful buildings, etc., etc. It seems that at almost every dinner party I attend, some guest will describe in exhausting detail some local horror that could have been avoided by: (1) better, (2) stricter, (3) sounder, (4) some, or even (5) any, planning. (On investigation, it frequently develops that the local planning department had approved that particular horror.) The argument continues: do not individuals and corporations carefully plan their activities and outlays? Why then, should govern-

Copyright 1973 Bernard H. Siegan.

Mr. Siegan is the author of *Land Use Without Zoning* and many articles on the subject. He practiced law for 20 years in Chicago before moving in 1973 to La Jolla, California where he is an adjunct professor of law at the University of San Diego Law School.

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ment not be allowed or required to engage in this selfsame activity?

The simple, yet highly profound answer, is that land use planning is doomed to failure in a representative society – and is likely to create many more problems than it solves.

Detached Experts

Land use planning means or implies an orderly, rational arrangement of or for the use of land for the present or the future, directed or controlled by detached experts in planning.

Although this definition raises many questions, it represents, I believe, what most people think they are saying when they speak or write of planning. The assumption seems to be that there is something precise, measurable or quantitative about planning or its standards; in other words, that it is, or is comparable to, a science.

This assumption is exceedingly difficult to substantiate, and few of even its most ardent proponents make the effort. Is there some precise measurement available to determine the "best" use of some or all of the land, of growth and anti-growth proposals, of whether the land is better suited for trees, lagoons, or the housing of people? Should the land be developed with two, eight or twelve housing units to the acre, or perhaps it is better suited for a mobile home park or shopping center or should be retained as open space? By now, after fifty years of zoning experience in this country, it should be clear that there are respectable, distinguished and knowledgeable planners who would disagree in many if not most instances to any or all of these alternatives. Planning is unquestionably highly subjective, lacking those standards and measurements that are requisites of a scientific discipline.

To settle any doubts on this score, simply read the records in most zoning cases. Typically, one finds testimony from two planners – one supporting the plaintiff (landowner) views, and the other favoring the defendant (city) views. At the trial level, many zoning cases have become verbal duels between planners, each promoting a substantially different position. Accordingly, what goes under the name of planning is an opinion by someone who has studied and is learned in the creation, growth and development of cities. The country's zoning experience raises serious doubts that such training and knowledge provides any special insights, either in evaluating the present or predicting the future.

Planners confront serious problems in fulfilling their responsibilities. Theory and education alone

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cannot substitute for the actual experience of making practical decisions and suffering their consequences. Few planners have ever been part of the construction or development industry, nor responsible for actual decisions in the development of residential, commercial or industrial projects. Even if they once had been, their information about prices, materials, innovations and trends, consumer desires and preferences must necessarily now come from secondary or more remote sources, not directly from the "firing line."

How then can planners possibly be as familiar with the development, construction and operation of shopping centers, housing developments, nursing homes or mobile home parks as those who develop, own and operate them? Owners and their mortgage lenders risk substantial funds on their success. Yet planners are expected to regulate all of them, which is akin to asking the blind to lead those who can see. Unfortunately for the community, in lieu of hard information, they will tend to rely on their own experience and background – which does not bode well for those of differing perspectives, tastes and attitudes.

But regardless of their knowledge, training and abilities, the fact is that planners are not destined to make a significant impact on the regulation of land use. The decisions and controls will be adopted by politicians or those appointed by politicians. And they are expected to, and do, respond primarily to those who placed them and keep them in office, and this involves politics rather than planning. In short, zoning (and other land use regulations) is, and has to be, a tool not of planning, but of politics.

Political Factors

Consider these limitations on the power of the local planner. First, he is the paid employee of the locality and cannot be expected to espouse with any degree of consistency policies contrary to those of his employers. The basic rules are established by those elected to govern. A planner who strongly advocates high density housing in the affluent single family suburbs may not last much longer than his first paycheck. Confrontations are probably rare because a planner is not likely to be hired or seek employment if his basic orientation appears to differ substantially from that of his prospective employers. Disagreements will occur and be tolerated – within limitations.

Secondly, even if a proposed plan appears to accord with the general desires of the local lawmakers and its preparation may

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actually have been commissioned by them, it still must be acceptable in significant respects after hearings and debates, to at least a majority, to be adopted. Amendments required for passage can easily change the meaning and impact of the proposed legislation. In practice, the "perfect" plan stands little chance of remaining intact against the opposition of a group of voters or politicians, the pressures exerted by political supporters or contributors, the payment of graft or perhaps even the voice of the local newspaper. Accordingly, the "perfect" plan is likely to be quite imperfect by the time it emerges from the legislative process, whether it be on a local or higher governmental level, and it might be ravaged still more as administered. And it is possible the courts ultimately may lay some or much of it to rest.

In a speech I once delivered in a city in Iowa, I told the audience that if zoning had controlled my trip from Chicago, I might have had to go many miles out of the way – perhaps through Denver. I speculated on the possible reasons that would influence the decision of the local legislators with respect to my routing, and they could be many. Anyone who considers this example farfetched might examine the "gateway regulations" of the Interstate Commerce Commission which control the routes taken by commercial trucks between cities and are ostensibly designed to improve the truckers' profit margins. In a recent lawsuit, it was alleged that under these regulations some trucks are forced to travel more than twenty per cent extra miles. A staff scientist for the Environmental Defense Fund was quoted to the effect that one hauler of propane from Boston to upstate New York was required to go by way of Manhattan's George Washington bridge.

The detours in our society should be reduced, not multiplied. It is time we recognized that politics and planning are substantial detours in the use of the land.

IDEAS ON LIBERTY

Zoned or Owned?

ZONING AND OWNING are different systems of determining land use. Either the land will be privately owned and its use determined by the owner to his greatest satisfaction from the choices available to him in the market place, or the land will be used as directed by government.

JOHN C. SPARKS

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CAPITAL CONSERVATION

EDGAR B. SPEER

A FEW WEEKS AGO, when I informed my wife that I had to go to Washington for a very important meeting, her first comment was, "Oh, Ed, what have you done now?"

But then I told her that the group would be made up of some of the leading realtors of this country. So she made me promise that I would thank the members of your profession for the many services you have rendered the Speer family, during all of the moves that we've made through the years. And I do thank you – for past services and for this opportunity to join you at your national meeting here today. You don't have to be in business very long to realize that a prime ingredient of industrial development is the knowledge and experience contributed by the industrial realtor.

It is sometimes said that every new business, and every expansion of an old business, begins with an idea and a prayer for success. But if that idea is to get off the ground and have a prayer of a chance for success, somebody has to find the right ground in the first place – the right site, in the right location for the right price. And, of course, this is where you people enter the picture.

So I have deep respect for the members of the Society of Industrial Realtors and the contributions you make to the on-going success of American industry. I'm sure that without those contributions, there would be a lot less capital generated within our capital system in this country.

A great deal of attention is being centered these days on real and possible shortages of the natural resources we're going to need in the years ahead. You can

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Mr. Speer is Chairman of the United States Steel Corporation. This article is from his address at the National Meeting of the Society of Industrial Realtors, Washington, D. C., November 10, 1973.

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pick up almost any issue of the news and trade magazines and read about the importance of conservation in our use of oil, gas and other resources, because of the widening gap between consumption and domestic supply. Even in real estate, there is a gap between demand and supply, creating a land fever across the country the likes of which we haven't seen since the days of the Wild West. In fact, as you well know, the land boom is generating its own special brand of inflation with values and prices climbing quite a bit faster than the Consumer Price Index.

The problem, as I understand it, centers about the rapid consumption of what your profession calls "buildable land." Of course, many of the eighty thousand units of government that we have in this country are contributing to the problem, rather than its solution, by a rush to find legal ways of restricting the use of the land that remains.

All of this comes on top of the turmoil being created in the name of a clean environment by many groups, most of them sincerely concerned, although not always fully informed. There are times when I suspect that the first of our natural resources to be exhausted may turn out to be the American taxpayer. He must foot the bill for the army of inspectors and enforcers who staff all of the agencies and bureaus that are one of the fastest growing elements in our American society.

Capital, a Vital Resource

There is one *national* resource, however, that we absolutely cannot do without. This *national* resource is essential to the development of land. It is more important than drilling rigs or mining technology in locating and extracting raw materials from the ground. It is the "magic" ingredient that converts all of the other ingredients of the business process into jobs and income, goods and services, and all the real and intangible progress that our nation gains from each successful business venture.

This vital national resource is capital. It is the money put together from a variety of sources and invested in what we always hope will be a "money-making" project — which means a project that will generate not only wages and salaries, but will also pay dividends and interest and increase the nation's supply of investment capital.

It isn't necessary, of course, to tell a group of industrial realtors about the role of capital in keeping the wheels of progress turning. I'm sure that you and the mem-

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bers of your Society spend a good portion of your time explaining these economic facts of life to those who come to you for service and guidance. I mention the subject because, like other resources, the supply of capital is not inexhaustable. We get a hint of this from time to time – as we have during much of 1973 – when money gets tight and the cost of borrowing capital gives every economics professor a chance to show his students what happens when demand outruns supply.

It's also true that there's a greater need for capital today than ever before – and we're going to need more of it in the future. But unless we begin to practice some capital conservation – exercising the same degree of concern toward this vital *national* resource that many Americans have toward our natural resources – all of the rhetoric about how far and how fast our economy grows in the future will have become little more than an academic discussion.

How much capital are we using, and how much will we need in the future? Well, capital expenditures by American industry have been averaging around one hundred billion dollars a year. And I've seen estimates on future needs that place capital demand at well over a trillion dollars during the next twelve years – that is, between now and 1985. Now, I'll confess that I'm not used to thinking in trillion-dollar terms, even in this era of the trillion-dollar economy. But it isn't difficult to see how such a figure on capital needs could be correct, if you break out some of the individual requirements.

Specific Needs

For example, the domestic oil industry believes that their capital needs alone could be a minimum of two hundred *billion* dollars over the next twelve years. The power generating utilities are talking of a need for seventy *billion* dollars just in the next five years. In communications, one company – American Telephone and Telegraph – has projected its capital requirements at forty to fifty *billion* dollars during the next decade. In transportation, the railroads believe that capital spending in the neighborhood of thirty-six *billion* dollars will be necessary over the next decade to keep pace with expected demands on their transport facilities. And in the steel industry, estimates of capital spending range upwards of thirty *billion* dollars between now and 1980 if we are to keep steel supply in balance with steel demand, and install the nonproductive equipment required by ever-changing pollution control standards.

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That's a lot of billions to be invested over a relatively short period of time – yet it is only a partial listing. Additional capital in equally large amounts will be needed for private housing and other land development activities . . . to increase the stock of goods and services that American families have come to expect and want . . . to build recreation centers and the facilities to house a growing national interest in the arts. So there's an unprecedented need for capital to maintain as well as to improve our standards of living and to move forward in our efforts to upgrade American standards of life.

You know, when naturalists talk about conservation of the land, they mean preserving the capacity of the land to renew itself. It is in this same sense that I speak of capital conservation, for the whole theory of our system is one of using, renewing and increasing the supply of capital. We invest dollars in productive efforts . . . that create profits . . . which are reinvested or paid out in dividends so that more dollars will flow into the mainstream of capital investment. And under ordinary circumstances, this system could be counted on to supply all of our capital needs.

But today's circumstances are not as "ordinary" as they once may have been. For one thing, we haven't been investing as much of our Gross National Product in new assets as we once did. Back in 1950, almost eleven and a half per cent of our GNP was being returned to the economy to increase our stock of fixed assets in this country. As recently as 1970, however, this percentage had dwindled to 6.2 per cent – about half what it was twenty years earlier. During those same twenty years, we dropped to last place in the rate of net domestic investment among the ten leading industrial nations of the Free World.

And what about profits from the investments we have made? Well, I don't know how you people are making out in the real estate business, but I can tell you that in steel and many other areas of industry, they're nothing to write home about.

Paper Profits

Oh, I've been reading those articles in the papers about the big increases that are occurring in business profits. I saw one not long ago that said the after-tax earnings of U.S. corporations in the second quarter of 1973 climbed to an annual rate over seventy-two billion dollars – a 36 per cent jump over the same period of 1972. And from numbers like that, I'm sure many of the American

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people believe that business is rolling in profit dollars these days. But the truth is that an inflated dollar is still an inflated dollar, whether it goes into a pay envelope or is added to the profit column of a business ledger.

Morgan Guaranty Trust Company pointed out several months ago that more than half of the increased profits reported by nonfinancial corporations during the past year have been so-called "inventory profits." These are the gains made on the goods that a company sells out of inventory – or put another way, the difference in the value of those goods between the time they were bought or produced and the time they were used or sold. And this value reflects the rate of inflation that occurs during that period.

So a business gains no lasting benefit from these inventory profits. In fact, considering the Federal tax bite on the profits resulting from the increased value of inventories, and the higher cost of rebuilding those inventories, there actually could be a loss. On this basis, then, the on-going level of corporate profits didn't increase during the first two quarters of 1973. *It went down* – to a point where, as a share of Gross National Product, they were some forty per cent *below* the average level of the 1960's.

Would You Believe?

In fact, during the past three years, the average return on sales for all manufacturing companies was only 4.8 per cent – not the 28 per cent that the general public believes companies make in profits – and below the average of six per cent earned in the 1950's and the 5.7 per cent earned in the decade of the sixties.

We are particularly concerned about our own profit situation in the steel industry. As we look down the road, we can see the demand for steel growing right along with the rest of the economy. After all, steel is not only a very versatile material – but it is also an inexpensive material. Your average pound of steel costs in the neighborhood of ten cents, and there isn't much you can buy these days for ten cents a pound. It's even less expensive than those proverbial peanuts.

We've worked hard to keep the cost of steel down. Over the past dozen years, the steel industry has invested more than nineteen billion dollars to acquire the modern efficient facilities we need to produce better steels — and to maintain and improve both the jobs and the earning potential of steel employees. Millions of additional dollars were spent to research and develop not only new steels that give the buyer more for his dollar, but new

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ways of using steel that reduce the costs of such things as housing and commercial buildings. I'm happy to say that even in this era of intense competition among materials, these efforts have paid off with a continuing high demand for steel in this country. Just about every order book in the industry has been full during 1973, and some of them are beginning to fill up for the early months of 1974.

This kind of business won't last forever, of course, but we do expect the demand for steel to grow at a pace that will require perhaps twenty to thirty million tons of additional raw steel production by 1980. And this is where that thirty billion dollars comes in that I mentioned a few moments ago. It's going to require that amount of capital to add this new capacity – to replace our existing facilities as they wear out – and to meet the demands being placed upon the industry to help clean up the environment.

Generating Additional Capital

Now, the thirty-billion-dollar question is this: Where is all that capital to come from? I can assure you that we don't have it squirreled away in an old ingot mold. During the five years prior to 1973, the industry's average return on sales was a lowly 3.7 per cent. Even during the first half of 1973, when sales were at an all-time high, the average profit on sales in the industry was a mere 4.5 per cent. Four and a half cents on the sales dollar isn't the kind of return that generates the large sums of capital required by an industry like steel – where a single facility in a single plant can cost many millions of dollars, and where several hundred million dollars are spent every year in pollution control equipment alone.

It isn't the kind of return, either, that can cause the lending institutions to welcome steel companies with open arms – although I'm not sure many steel companies would be interested in acquiring much more indebtedness. The industry as a whole is already carrying more than five billion dollars of long-term debt – most of it acquired while we were upgrading our facilities . . . to become more efficient . . . to meet the foreign steel imports that during most of the 1960's the government told us weren't really a problem.

More recently, of course, the government has told our industry that our profit problem is not as important as the one it has with the over-all fight against inflation. And while inflation has to be of major concern to every business and every American, I wonder how long we can continue to rob profits to pay the price of containing

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inflation. I don't claim to be an expert in economics, but I do know that among the causes of inflation is the inability of production facilities to supply growing demand. This was reflected just last summer in the spiraling prices of food and other commodities. The same theory is at work in real estate as the demand outruns the supply of buildable land.

So I fail to see any great economic wisdom in containing the forces of inflation by restricting the profits that are the basis for expanding production. It may be politically expedient over a short period of time – but in the long run, it is economic folly. In fact, with the need for capital already great and growing in almost every sector of the national economy, the "long run" may be shorter than we think.

Look to the Market

Now, what's the answer? Well, at the risk of bringing down the wrath of the economic gods here in Washington, I think it's time they restored their faith in the American free market system. After all, we didn't become the most productive nation in the world as a result of bureaucratic tinkering with the economy. Economic controls aren't some new device, created by modern economists. In ancient China, Egypt, Greece, Rome – in fact, for more than four thousand years – the idea has persisted that governments can hold down prices simply by making it illegal to raise them. Yet in all this time, under all manner of circumstances, the results have usually been shortages and economic chaos, generating greater problems for the same people that the controls were supposed to protect.

The results are much the same here in the Twentieth Century. Almost daily, shortages and dislocations caused by the current economic controls are becoming more evident. And while the government says it is trying to find a way out of controls, there are hints that it may recommend some type of permanent agency which could, as *Business Week* phrased it, "keep the federal government in the controls business forever."

Frankly, I believe it's time to put more freedom back into our free economy. It's not that I distrust the planners here in Washington. It's just that I have a lot more faith in the private judgments of the American public, whether they're acting as consumers or producers – whether they consider themselves part of labor or management – whether they are packaging, selling, or buying real estate. In other words, I'd rather see the cost of living controlled by the millions of private decisions

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that are made every day in the supermarkets of this nation than by some super-authority located in our nation's Capital. The only true test of whether a product is worth its price, or a company worth its profit, is that ultimate decision that's made at the point of sale.

So it seems to me that a very necessary first step toward practicing capital conservation in this country should be to "phase out" the economic controls hampering the price structure and the rates of profit that are essential to increasing the flow of capital in our type of economy. It would be a big help also if, somehow, we could get as many Americans interested in the conservation of this vital national resource as seem to be concerned about the proper conservation of our other resources.

Conservation Conscious

We are rapidly developing and in some respects already have a conservation culture here in America. Individually and in groups, large numbers of our people are actively engaged in a wide variety of conservation efforts. Conservation of energy . . . conservation of our natural resources . . . conservation of land . . . conservation of historical landmarks . . . the list of things to be conserved and preserved is almost endless.

I say "almost endless," because the one that has been missing is the conservation of capital. Certainly, it is *this* national resource that we need to conserve, if we are to accomplish the other objectives. Yet the current trend seems to be one of putting most of the others first, often at the cost of increasing the amounts of capital that will be needed to maintain the American way of life.

As I've already mentioned, some of the largest amounts of capital investment to be made in the years ahead will be those by the energy-producing industries. Supplying the growing energy needs of this country is going to be a costly job, and the longer we wait to get on with the job, the higher those costs will rise. But delay, rather than progress, seems to be the order of the day in our approach to our energy problems. Whether it is bringing oil from Alaska or generating electricity, months and even years go by while environmental matters are given precedence – and the costs of each project climb.

Don't misunderstand me. Protecting the environment is a highly desirable goal. American industry in general is working hard to do its part, spending billions of scarce capital dollars every year to meet various environmental needs.

Yet there is still no scientific basis for many of the pollution

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control standards that industry is being asked to meet. For example, at U. S. Steel's Fairless Works, north of Philadelphia, we are already controlling better than 99 per cent of the dust emitted from the open hearth furnaces of that plant. The equipment was expensive – but it is effective. Now, we are being asked to remove *all* visible dust from this steelmaking facility. And if we are forced to go this final mile, the additional investment cost – in terms of the capital spent per pound of dust collected – will be *two hundred times greater* than the original investment we made to reach 99 per cent effectiveness.

At the moment, however, no one knows whether this and similar expenditures at other plants are justified, for there is no scientific data to show that any harm is done by this relatively insignificant amount of dust. And I think you'll agree that an industry already facing a "capital crunch" can't afford, and shouldn't be asked, to spend excessive amounts of capital for nonproductive equipment that may, in the end, be proved unnecessary.

In many areas, you can find other efforts that – however well intentioned – threaten to push the costs of growth beyond the range of capital available to bring about such growth. This is certainly evident in the rush to find legislative ways to cool off the land fever that's sweeping the country. As you know, a bill to establish a national land-use policy has been passed by the Senate. I understand that hundreds of other measures are before the Congress and state and local governments, dealing with everything from urban growth to "no-growth."

In fact, much of this legislation seems designed to discourage the use of land, despite the fact that land itself is a very vital resource. Aside from its surface value, the land of this country has beneath its surface other resources – oil and gas, coal and other minerals – that we're going to need in ever larger quantities.

The development of land, including its use for the production of energy and minerals, is already a very costly business. And if common sense isn't applied in large quantities today, we may find at some point in the future that both the land and its mineral wealth have been legislated into a position where no one will be able to justify the capital outlays required to make it useful to the American people.

Seward's Folly

You know, ladies and gentlemen, out of the more than two billion acres that comprise these United

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States of America, there is one plot of better than three hundred seventy-five million acres that now makes up our forty-ninth state, Alaska. At the time we acquired this land from Russia over a century ago, the purchase price was seven million dollars. That was a lot of money in those days, and the whole deal was known as "Seward's Folly," because no one could see the value of those acres so far to the North.

Today, of course, Alaska's mineral wealth alone has a value many, many times the original price, even if you were to measure it in one-hundred-year-old dollars. And the term, Seward's Folly, has been relegated to a brief mention in the history books.

Let us hope that our efforts to generate growth in this second half of the Twentieth Century will turn out as well as did the purchase of Alaska in the second half of the last century. But let us also do more than hope.

Let's be sure that our economic policies and goals in this country are set *by* us, and not *for* us. Let's be sure that in your industry and mine, we make every effort to convince those in government that our goals are also very much in the national interest. And let's be sure we use every opportunity to tell the American public that the conserving of capital is the one conservation effort that cannot be ignored – because capital and the profits that create and attract capital are essential to whatever objectives we set for ourselves and for our nation.

IDEAS ON LIBERTY

Uneconomic Conservation

WE CONSERVE natural resources by using them in the most efficient and economic manner. "Uneconomic conservation" is a contradiction in terms – it is waste. But if politics dominates a conservation program, what we get is "uneconomic conservation." There are those who talk in grandiose terms about this or that river valley project and who urge us not to count the costs. Actually, of course, there is no way of determining whether a given program is conservation or waste except by counting the costs. If a given project cannot pass the test of economics, that is a sure sign that it is not conservation but waste.

ADMIRAL BEN MOREELL, *Our Nation's Water Resources – Policies and Politics*

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SOCIALISM

EDMUND A. OPITZ

THE TREND away from ecclesiastical authoritarianism in the post-Reformation period gave rise in the eighteenth century to popular sovereignty in the political realm, with such characteristic documents as *The Federalist Papers* and *The Wealth of Nations*. A different kind of dream gathered momentum during the nineteenth century, contemplating the perfected temporal life of man in a planned society, to be achieved by governmental direction of economics and technology. Socialism is the appropriate generic term for this movement.

The quintessence of modern Socialism is government ownership of productive property and the centralized management and direction of economic life. Socialists are divided into parties, sects and hostile factions, but beneath the clash of labels they all advocate the planning of economic affairs by political authority – control over production and exchange being the key to leverage over other sectors of life and the means of achieving national goals.

Such practices as voluntarily pooling goods, sharing the common tasks of a community, working with the hands, reviving interest in folk arts, do not constitute Socialism. And it goes without saying that concern for justice is not limited to socialists; the noblest work in behalf of slaves, prisoners, the sick, the handicapped, children, and animals has been done by non-Socialists. When it comes to improving man's lot on earth, the influence of Adam Smith probably did more to upgrade the poor than any other single factor, and the major thrust of Classical Liberalism maximized civil, intellectual, and religious liberty for all men by limiting government to the tasks of policing.

The Reverend Mr. Edmund A. Opitz is a senior staff member of the Foundation for Economic Education. This article, reprinted here by permission, is one he contributed to *Baker's Dictionary of Christian Ethics*, Carl F. H. Henry, editor, (1019 Wealthy Street, Grand Rapids, Michigan 49506: Baker Book House, 1973) 726 pp., $16.95.

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To Appreciate Freedom, Consider the Alternative

Socialism is in contention against the Free Society, and we know a thing better if we understand its adversary. To insist that centralized political planning of the economy is the essence of Socialism may plant the misleading suggestion that the Free Society — call it the free economy, the market economy, or capitalism — is characterized by lack of planning. Such is not the case. There is individual planning of all sorts in the Free Society, but no centralized economic planning. The Rule of Law is not a random development; it is intentional, the result of generations of planned effort by men seeking to establish institutions which maximize human freedom. The market economy operates within the framework of the Rule of Law, and is regulated by millions of consumers making billions of decisions as they carry out their private plans for the achievement of their personal goals — as well as by other millions who plan ahead for their businesses, their churches, their schools, their hospitals and other corporate ventures.

There are two radically opposed ways of life here, Socialism versus the Free Society, and they lock horns over the questions: Who shall plan? and For whom? Socialism has an overall plan which the handful of men who wield political power must impose on the mass of citizenry in order that the intended national goals and purposes may be realized. But, millions of people have billions of plans of their own, and because many of these private plans do not fit into the government's plan they must be annulled; and if persuasion does not suffice punishment must be invoked. The ideal blueprint for ordering the life of a beehive may be identical with the private plans of the last little bee; but it is not so in human society, where each person is a unique self. Socialism means a nation with two kinds of men; the few who have the power to run things and the many whose lives are run by other men.

The Worst Get to the Top

What kind of men are best adapted to the task of fitting the lives of other men into the Plan? Men possessed by an ideology which convinces them they are carrying out History's mandates when they conform the lives of citizens to the social blueprint. As History's vice-regent, the Planner is forced to view men as mass; which is to deny their full stature as persons with rights endowed by

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the Creator, gifted with free will, possessing the capacity to order their own lives in terms of their convictions. The man who has the authority and the power to put the masses through their paces, and to punish nonconformists, must be ruthless enough to sacrifice a person to a principle. The operational imperatives of a socialist order demand this kind of action; a commissar who believes that each person is a child of God will eventually yield to a commissar whose ideology is consonant with the demands of his job.

The ideology which facilitates the Planned State was not invented by Marx; it was at hand in the form of nineteenth century materialism. Man, in terms of this ideology, is a mere end product of natural and social forces, inhabiting a universe which does not reflect the handiwork of the Creator, but is reducible instead to the mechanical arrangement of material particles. There is no transcendent end for men to serve, and no soul needing salvation; mankind will be regenerated by altering its environment so as to put men fully into the service of the State. In Socialist eschatology the State will finally wither away and men will enjoy an earthly paradise.

The skewing of the Christian vision here is obvious; Socialism needs a secular religion to sanction its authoritarian politics, and it replaces the traditional moral order by a code which subordinates the individual to the collective. This inversion of values is intended to enhance economic well-being, but in vain. Socialism promises to distribute abundance but is at a loss as to how to produce it. A classic study by the eminent economist, Ludwig von Mises, *Socialism* (1922), demonstrates the impossibility of economic calculation in a planned economy, and experience attests to the chronic shortages of goods which afflict Socialist nations.

IDEAS ON LIBERTY

The Market Method

WHEN any commodity is carried to market, it is not the necessity of the vendor, but the necessity of the purchaser that determines the price.

EDMUND BURKE, *Thoughts and Details on Scarcity*, 1795

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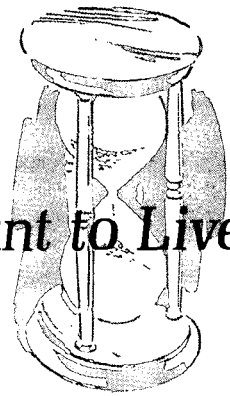
CHARLES R. LADOW



Do You Want to Live Forever?

A MARINE OFFICER, leading his men into battle, exhorted them with this line: "Come on, you ....! Do you want to live forever?" This is a good question in this era of over-preoccupation with the notion of security. It is doubly apposite when one considers that the world's nations boil with unrest, while the hydrogen bomb hangs over our heads. Musing over such matters makes one realize just how far American politicians and intellectuals have gotten out of touch with reality. Assuming that we do, or should, seek physical immortality, they have undertaken to protect us against all daily hazards of mortality. Even as living vegetables, they pump life into us through Medicare, to the bitterest end. While we are spry, they spare no pains (nor our scarce resources) to snug us in with seat belts and protect us from all dangers, either from the environment or consumables. Their latest concerns have reached down to the safety of tricycles and infant's cribs.

What are the realities of these matters? People may surrender to seat belts or air bags in their cars; but, when they reach Sun Valley or spot an unclimbable mountain, they will ski the most deadly slope or try to scale up the sheerest cliff. Infants will choke themselves in the safest crib, with a pillow or a tantrum, and a fail-safe trike will easily carry a nonswimmer into the family pool. There is no way to keep the individual from surrendering his relief check to the nearest poker game. Realizing that each heartbeat is a gamble with nature, man is a gambling animal. "Nothing risked; nothing gained," is his primordial motto.

Going beyond such trivial risk-

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ings of life and health, men will positively seek danger, either for a cause or for thrill alone. Twitted by Oliver Goldsmith for his casual view of martyrdom, Samuel Johnson said: "Sir, as to voluntary suicide, as you call it, there are twenty thousand men in an army who will go without scruple to be shot at, and mount a breach for fivepence a day." Although the price has been driven up since Johnson's day, even in this nation there is no lack of willing mercenaries — nor of youthful militants willing to risk their lives in protests against war, of all things. Our athletics and daredevil events often rival the Aztecs in human sacrifice. Although crowds are no longer entertained with public hangings, larger crowds, including the huge television audience, watch mangled drivers burn to death in flaming race cars.

Put in this perspective, the preoccupation of our political and intellectual leaders with environmental, personal, and social security does seem a little odd. If a neighbor should only dare advise you to do what governments order, you would shun him at the least — or, more probably, sock him in the jaw as a busybody; but, somehow, the art of propaganda has twisted our thinking around so that we tolerate, and even abet, this nonsense of government.

Good Intentions—Bad Results

Actually, it is our philanthropic virtue which makes this folly possible. Most of us do not think of ourselves as requiring all this control. It is to help the other people who are careless, impecunious, or helpless. My father, a staunch conservative, voted for the 18th Amendment (Prohibition) because, as a grocer, he saw workers drinking up their paychecks and leaving wives without grocery money.

At the time, we do not think of the long term effect, on ourselves and others, of these piecemeal "reforms." Such wisdom is the business of statesmen and, of these, we are always in short supply. Nevertheless, we cannot excuse ourselves. Common sense and any knowledge of history should tell us that government is the least effective agent of philanthropy we could choose. Funding the Salvation Army with 5 per cent of our income would outdo 20 per cent turned over to politicians. But, of course, we have bought the impractical philanthropy of Rousseau. Ameliorating misery is not enough. "If the people won't be good, we will make them be good." Such preventive discipline has never worked and never will. People insist on learning, so far as they do learn, from their own mistakes. One cannot keep one's own

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children safe. Much less can government save anyone from his own folly.

The welfare-environmental, world-saving state did not arrive in a day, or in four decades. It is the fruit of over a century of logical positivism and Marxist dialectic. Such modes of thought, if such they may be called, have gradually permeated a ruling number of our university staffs, our public schools, and the general intellectual milieu. Hence, they have spread through our media in an era of their burgeoning ubiquity. Through such propagation, we have developed the current breed of political "liberal," concerning whom the late Albert Jay Nock said he "would not trust one alone in a room with a red hot stove – unless it was valueless." (And, by all historical standards, Nock, himself, was a liberal.)

Look to the Individual

To put the current liberal mentality in its proper place, one must compare it to the successful intellectual tradition of the Western world. The progress of Western science and philosophy stems from the recognition that, in reality, "nothing exists apart from particulars." We learn the mystery of things by studying individual specimens, not by speculating in generalities. As Aristotle put it "The physician does not cure mankind. He cures Socrates, or Callias, or some other individual who happens to be a man." Even cursory observation shows us that the current breed of liberal is engaged in "curing mankind." Certainly, he is not in any way, but accidentally, concerned with individuals. Groups he understands, and statistics from random samples; but individuals are the often troublesome accidents which interfere with his glittering generalities. If biologists, botanists, physicists, or any kind of real scientists operated with his logic, we wouldn't have any workable science, or the kind of productive society which can afford to support liberals in unproductive idle speculation. (Incidentally, the Cal-Tech men who charted the spaceship trajectories to the moon give fundamental credit to Galileo–fifteenth century man of the honest tradition.)

William James suggested that: "It is the primitive tendency of the human mind to affirm the reality of anything conceived." Once one's ideas become more "real" than the objects around him, he is out of touch with reality. With some notable exceptions, this is the condition among the liberals and academic "social scientists." It puts them in direct line with the medieval metaphysicians who speculated on how many angels

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could dance on the point of a pin. However, medievalists honored something more exalted than human stupidity.

Wishful Thinking

Liberals, of course, have an advantage over those among us with primitive minds. Wishful thinking has always been preferred to harsh realism among a large proportion of any populace. Universal suffrage places a heavy handicap on sanity in government, as demonstrated by every successful mass movement in history. Liberal control of compulsory public training (euphemistically called education) has come close to ensuring a frame of mind, among the populace, suitable to their forms of argumentation. Such forms dress tenuous, or even false, generalizations with the dignity of facts. We have come a long way from the thinking of Oliver Wendell Holmes' *Autocrat of the Breakfast Table*: "Facts are the brute beasts of the intellectual world. I tolerate no facts at this table." In the liberal mentality, the most miserable "fact," such as poverty or pollution, outweighs the most glorious truth, such as the survivability and progress of free men – even under the most arduous of circumstances.

In their book, *The Disaster Lobby*, Melvin J. Grayson and Thomas R. Shepard, Jr., have thoroughly documented how far we have strayed from common sense and logic in handling our political economy. Only Lewis Carroll or Jonathan Swift could do justice to the present American scene. All of our priorities seem to be arranged as if the cart should be before the horse. Ecology holds pre-eminence over food, lodging, or energy. Birds, bison, or fish take precedence over people. Race and sex are more important than individual excellence, or personal liberty. Watergate obscures inflation and the fumbling of all departments of government-Federal, state, and local.

Consumerism

Worst of all, the consumer, once deemed to be king in our economy, is now considered such an idiot that he must be protected, night and day, by the likes of Ralph Nader and a host of legislators and bureaucrats against the dire outcomes of his stupidity. At the same time, the public "education" which, presumably, nourished this stupidity, is endowed with increasing billions of public funds, while private education languishes.

In the midst of this shambles it created, the smugness of the liberal establishment is amazing. At a time when most of us are beset by doubts and misgivings, and are likely to be apologetic even when

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proven right, many newspaper editors and columnists, along with most network commentators and the liberal intelligentsia seem to rest assured in their rectitude. "The best of all possible worlds" in which they appear to live is immune to outside criticism. Without blushing, they can filch public documents or deal in innuendo destroying public figures and appear to feel no qualms, even when caught up. Their formulae, which separate the good guys from the bad, appear to be unassailable. Liberals are good; all others are bad. It's as simple as that.

Although there are strong signs of public disenchantment with this fanatic smugness, surprisingly the liberals manage to hold onto their controls, outside of modest losses here and there. Their security lies in the persistence of fanaticism and the long-term conversion of the American people to their brand, coupled to the power of a bureaucracy dedicated thereto and backed by police force. Only an angry and aroused electorate can succeed in bringing this reign to an end, just as an angry and aroused public made the bureaucracy possible. Unlike the steady fire of fanaticism, the boiling points of individuals are immensely variable, and indifference is all too common. However, smugness is an ugly human characteristic. Nobody really likes a know-it-all. So, the liberal establishment has an Achilles' heel.

A Word for the Defense

The current "energy crisis" offers a great opportunity for libertarians and market economists to be heard. Only when people are hurt are most of them willing to listen. The harder the crunch, the more likely is a response. Today, even our liberal legislators seem wordless at the possibility of an easing of environmental control. It is unanswerable that their obstruction of off-shore drilling, atomic power plants, strip mining, private forestry, the Alaska pipeline, and refinery building has placed us in an unenviable economic position. Their emasculation of National Defense has maimed our bargaining power in a totalitarian world. Likewise, their headlong, progressive mandates of questionable gadgets to clean up automotive exhausts have multiplied fuel use and resultant shortage. If it comes to unemployed people huddling in cold houses, bereft of free use of their automobiles, the environmentalists are apt to lose their audience. People would prefer clean air and water, and a pristine landscape; but they would trade off quite a bit of pollution for the right to use those facilities.

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Once the audience is ready, "selling" the free market should not be difficult. It is not as if there were an alien idea to explain. (Indeed, the welfare state is the real alien idea!) An open market has always existed in human experience, even in times and places where it has operated as a "black market." *Laissez faire*, indeed, is the plainly observable law of nature, predating human law. And man is a competitive creature, with a strong sense of territory (property), similar to all others in the animal kingdom. Only his strong moral proclivities can explain his willingness to submit to the will of legislators, short of being forced, and there can never be enough police in the world for complete subjugation. Lawmakers in a society which considers itself a democracy thus play a game of brinksmanship when they legislate morals and push eminent domain toward the extinction of individual liberty. One step too far (which may have been taken) and the free marketeers will have won the audience.

One of the many pleasant outcomes of such a change will be a new genuine openness. Unlike radical liberals, libertarians nurse no urge to shut up the opposition. It is not in our credo to suppress ideas. We would suppress only violence, force, or fraud. That is, we would limit government's acts of suppression to these fields and would, within these limits, allow people to live their own lives; which, allowing for a good deal of official harassment and impediment, is what they already must do. It will be surprising how peaceful things will become on the home front under such conditions. Our relations with other nations are likewise sure to improve. The man who is free and happy at home is unlikely to stir up trouble elsewhere.

Voluntarism Is Best

The free market offers genuine majority rule. Every majority is made up of individuals. If each individual, within the limits of legitimate law, is free to make his own choices in life, this will be the optimum condition of majority rule. It is a fraudulent majority rule where a minority made up of legislators and bureaucrats, or even a majority of voters (themselves a minority of the whole), can regulate the personal lives and choices of every individual in the society. The "true believers" in the welfare state have managed to bring us to this pass. We do not suggest that they give up their predilections; only that they give up coercion and put their ideas back in the open market.

Ecologists, conservationists, and

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humanitarians should have enough faith in the generosity of the American individual to place their cases before the court of individual choice. There is nothing in the record of private philanthropy in this nation to indicate that deaf ears await any legitimate claim. As a matter of fact we have a strong record of voluntary response, even to ridiculous appeals, as indicated by the flourishing of private associations favoring almost anything under the sun. But it is an insult to the individual citizen and the spirit of our laws that any such association should be afforded the coercive powers of government in achieving its ends. The Sierra Club, labor unions, Nader's Raiders, the National Education Association, or any other form of pressure group whatever should face the same form of individual veto that every producer in the nation faces. Any other course puts the cart before the horse. The reformer should convince the consumer – not rule the producer.

Of course the true believers are too obsessed with their particular manias to recognize alternative claims. Focused on the ideals of primordially pure air, crystalline rivers, lakes and oceans, untouched natural parks, flourishing endangered species, and boundless health, they have lost sight of the daily necessities of daily living and the basic truth of all economists: Human wants are unlimited; resources are always in short supply; hence all economic decisions must be compromises with necessity. In the pure majority of the market, such compromises are an amalgam of individual choices. Whatever the political system or laws, the individual must decide what he shall have and what he must do without. This is as true on Park Avenue as it is in the darkest depths of Africa, or in a Soviet state. To the extent that any government circumscribes the individual citizen's field of free choice and association, it has limited his power of survival, let alone his chances of success. Why an ecologist, who can benignly watch a lion pull down an eland or hartebeest, does not appear to understand the foregoing is a trifle hard to explain. It's a tough world, rather unforgiving, and the true believers, in order to return it to Eden, seem determined to bring it down upon us. They have so twisted up our priorities that not even General Motors has any clear idea how to plan. In such an arena, what are the prospects for the individual?

The Ingenious Individual

Contrary to the doomsayers, left to his own devices, the individual

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has always shown remarkable powers of survival, even in the most unlikely environments. One by one, he has created all the engines of economic ease which we possess, while reform governments have done nothing but milk the cows of his creation. Determined to mandate an abstract "social justice," true believers have ignored the relativism that even the American sharecropper was rich by comparison with the vast majority of the world's inhabitants. Encouraging self-pity (to which we are all prone) in the less fortunate, they have dampened the spirit of such barefoot farm boys whose determination once made them captains of industry. (They now major in "social service" and end up in pro football!) If their ideas are not unseated from places of power, it is difficult to see how the reformers can avoid "killing the goose that laid the golden egg": American Capitalism. Everything we have is owed to the exercise of free individual initiative. Its sole necessary and proper discipline, short of violence, force, or fraud, comes from the free choices of individuals as consumers. Government has more than enough to do with the exercise of legitimate police powers, justice and defense. As it is, it is clearly doing nothing well, as Peter Drucker has said, with the possible exceptions of ventures in space, foreign wars and diplomacy. These are, basically, Executive activities, of a department which the liberals in Congress are set on weakening.

Posing the question, "Do you want to live forever," implies no denial of immortality of the soul. As in the case of the Marine leader first quoted here, this is a question concerning this worldly existence. Patrick Henry's cry, "Give me liberty, or give me death!", was more than political oratory. It strikes a chord in nearly all of us, if not all, from panhandler to merchant prince. There is the point beyond which we will not be pushed. Life is sweet only when it is creative; and we will always risk its loss on the altar of achievement, whether it be mounting a barricade, climbing a mountain, rocketing to the moon, or in some more mundane occupation. Life is what we ultimately spend: each person's total gift to the universe of reality and the essential coin of philanthropy. A man's closest desire is that his passing through is not meaningless, for he knows that he is mortal. Compared to this small glory in each of us, how paltry seem the concerns of the welfare state. Let us live by our choices and die as free men!

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STRIVE FOR THE SIMPLE LIFE

I love a life whose plot is simple.
—Thoreau

LEONARD E. READ

I, TOO, LOVE A LIFE whose plot is simple. However, my idea as to what's simple differs from that of the great naturalist and essayist, Henry David Thoreau. Doubtless, he had in mind the quietude of Walden Pond and its seclusion from society. And this is what nearly everyone regards as the simple life.

My great-grandfather, born during the founding of America, was the first settler in Shiawassee County, Michigan. There was no "society" to interfere with his comings and goings – the nearest village being miles away – and except for the prying eyes of foraging Indians he and his family hacked it out alone. According to the popular definition, his life was indeed simple, far more so than Thoreau's.

What, really, *is* the simple life? Unless we settle that question, we will be plagued by a troublesome, socialistic cliche: "The more complex the society, the more government control we need." The result, eventually, will be out-and-out dictatorship as intricacies in society are used as an excuse for total government. Is it not true that most people in today's world think of my great-grandfather's life as simple and of mine as complex? Actually, it is the other way around. You and I really live the simple life, and this is the point I wish to clarify.

If, as I believe, man's purpose is to grow, evolve, emerge along the lines of his uniqueness, it follows that he must emerge from that poverty which attends those who are forced to become a Jack-of-all-trades. My great-grandfather's unique talent might have been musical composition, or he might have become a distinguished naturalist and essayist, as did Thoreau – for all I know, or for all *he* knew! He, so preoccupied in doing nearly everything for himself, never had a chance to discover his

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uniqueness; he was imprisoned by the lack of opportunities to discover himself.

Then and Now

I reflected on the differences between my great-grandfather's and my way of life on a recent flight from New York to Los Angeles. Think how complex it would have been for him to get from Shiawassee County to such a destination! Enormous preparations, hardships, and several months of dangerous travel! Me? Perfectly simple! All I did was to board a plane, debarking five hours later.

His wife had to weave and sew the clothes they wore – so complex a series of operations that only a very few in America today have any idea of how this is done. My case? My suit was tailored in Hong Kong – 12,000 miles away – the shirt in Madrid, the shoes in Rome. Complex? Indeed not; so simple that all I did was to sign three checks.

Came the luncheon at an altitude of 39,000 feet. Among the delectable dishes was fresh salmon from the Pacific Northwest and broiled in the plane's kitchen. My part in this wonderful fare? As simple as waving a friendly greeting to a passing stranger! As to my ancestor, the complexities would have been too profound and numerous for him even to imagine. Salmon still fresh after 3,000 miles in transit! A jet plane never entered his head, or that broiler, or the coffee brewed from beans from another part of the world. My life is far more simple, much less complex, than his.

Gaining a More Simple Life Through Social Cooperation

How to explain this evolution toward civilization – from the complex to the simple life? How does one accomplish it? Instead of continuing as a recluse, leading a solitary, secluded existence, running away from others, man becomes civilized by getting into society, that is, by letting others with their unique talents come to one's aid. Let them do their countless things, which permits me to do my "thing." We need only remember that man is at once an individualistic and a social being, the latter no more warranting oversight than the former. Actually, the individualistic side of any person can never be fully realized except as the social side is understood, embraced, and skillfully exercised. Think of the things – literally millions of them – which are beyond your or my competence but by which you and I prosper.

Next, how shall this way of life in its ideal form be defined? I hesitate to use one apt expression, "social cooperation," for the rea-

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son that most statists, be they Russians or Americans, apply it to their coercive devices. Their command to "cooperate by doing as I say" is a contradiction in terms. Cooperate means "to act or work together with another or others for a *common* purpose." The decrees and edicts of authoritarians reflect strictly their own, not common, purposes. In any common cause, the working together has to be private, personal, voluntary. In a word, let each do whatever he pleases so long as it is peaceful. What, then, do we have in common? Each pursuing his uniqueness!

That would be my ideal of freedom: No man-concocted restraints against the release of creative human energy. More precisely, I refer to the free market, private ownership, limited government philosophy with its moral and spiritual antecedents. To me, this is but an ancient, moral axiom – the Golden Rule – expressed in politico-economic terms. You and I can best help each other by tending to our own knitting, pursuing our own uniqueness, respecting the rights of each to the fruits of his own labor, and freely exchanging when and if mutually advantageous – not an iota of coercion! Does this not clarify what we mean when referring to the freedom philosophy?

The Miracle of the Market

We have had in the past few decades a remarkable demonstration of the simple life. Yet, few have taken any note of this miracle of simplification – which brings the wealth of the world to our doorstep; they are blind to the wonders they have been experiencing. This makes all the more extraordinary Lord Tennyson's prophetic vision of more than a century ago:

> For I dipt into the future, far as human eye could see,
> Saw the Vision of the world and all the wonders that would be;
> Saw the heavens fill with commerce, argosies of magic sails,
> Pilots of the purple twilight, dropping down with costly bales.

So let us understand and enjoy the simple life – its exclusively voluntary nature, and the unimaginable wisdom which attends the unfettered release of creative energy. Otherwise, if we remain unaware of its blessings, our blindness threatens its termination and promises instead a descent into the complex life of the primitive. For it is an observed fact that the complexities are alarmingly on the increase.

In every instance, the complex-

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ities are composed of coercive intrusions by dictocrats in and out of public office. The excuse, of course, is that the intricacies are now too enormous to operate without dictocratic management; these people actually believe that they possess the capabilities needed to make things function. Really, the intricacies are no more numerous than before; all that has happened is a fantastic and wonderful expansion in specialization – division of labor – that is, each to his own uniqueness. This, in turn, has made all of us interdependent. We have here a flowering of the simple life, the continuation of which requires a moral conduct, namely, an observation and practice of the Golden Rule – the way it should be!

Recall that no one knows how to make an ordinary wooden pencil, let alone an automobile or a jet plane. But, then, no one understands a cell, a molecule, an atom. You name it! Yet, the dictocrats do not know that they know not. In their behavior they attempt to go beyond their finite minds, which is to say that they are out of their minds, regardless of how brilliant they may appear. It is this coercive intrusion, this unreasonable force, that threatens man's survival.

The way to strive for the simple life is to gain an awareness that the wisdom implicit in its observation is trillions of times greater than exists in you or me or any other discrete individual. Every discovery, invention, insight, intuitive thought, think-of-that since the dawn of human consciousness – the overall luminosity – flows to your and my benefit if we can avoid its nemesis: the complexities of coercive intrusions.

Why should we lose that highest form of moral and economic life – each to his own uniqueness – which we have had the privilege of sampling! Truly, it is a life whose plot is simple.

IDEAS ON LIBERTY

Planned Chaos

Men must choose between the market economy and socialism. The state can preserve the market economy in protecting life, health and private property against violent or fraudulent aggression; or it can itself control the conduct of all production activities. Some agency must determine what should be produced. If it is not the consumers by means of demand and supply on the market, it must be the government by compulsion.

LUDWIG VON MISES

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W. A. PATON

The "Social Security" MIRAGE-

Current Production Paramount

UNSOUND economic policy, long continued, tends to become accepted and entrenched. When Federal "social security" first appeared on the horizon there were many skeptics and critics. But with the passage of time this resort to the power of the central government to provide for our retirement years has gained wide approval, has grown like Topsy, and has spawned a flock of other welfare programs, including state and local measures. And protesting voices are now few and faint.

Acceptance of the present array of handouts under the welfare banner, moreover, has now reached the stage where many seem to forget the fundamental fact that no governmental agency or combination of agencies can assure everyone of a specified level of consumer goods to enjoy. Laws might be enacted by legislative bodies making dollar commitments to all hands, but such actions would simmer down, broadly speaking, to nothing more than authorizing a certain legal position for each of us in the line of individuals awaiting their turns at the economic spigot. No power on earth can guarantee the size of the flow from the pipeline of production, even for a year or two. This is a world full of more or less uncontrollable factors that have an impact on economic activity and output. Familiar examples are fluctuating weather conditions, varying population, changing attitudes, and modification of methods. Perhaps the outstanding unpredictable influence today is war or fear of war, and the accompanying ups and downs in military manpower and expenditure.

In short, there is no way in which the economic future of an

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entire people can be assured by state action. Redistribution of such output as appears may be forced by government, but the size of the pie is not enlarged by increasing Paul's slice at the expense of Peter's. Production remains the key to prosperity, not government promises. This is particularly true in the case of the United States, as we can be sure that no foreign nation or nations will play Santa Claus for us.

That volume of economic output is the basis of the American standard of living is of course undeniable. It is almost equally plain that it is the *current flow of consumer goods* on which we largely depend to meet our current needs. But these simple truths are so widely ignored, especially in connection with plans and schemes — private as well as governmental — designed to insure our economic future, that they deserve continuing explanation and emphasis. I have a few suggestions to offer that may be helpful in clearing the air for anyone who is willing to take a hard look at economic reality.

Stockpiling Consumer Goods — Phony "Reserves"

One way to bring to light, very plainly, our over-all dependence on current output is to take a look at the problem of stockpiling consumer goods under existing conditions. Back in Egypt, long ago, so we are told in Genesis, Joseph stored "corn" in the "seven plenteous years" in an amount so large that "it was without number," and then doled it out in the "seven years of dearth." Apparently he had remarkable storage facilities, and a very docile people to deal with. And since the famine was "all over the face of the earth" he also did a big business with the other countries that "came into Egypt to Joseph for to buy corn." We have no data as to the pricing policies and other procedures followed during the famine years, in dealing with either Egyptians or foreigners, as the granaries were emptied. The Biblical account also provides no details as to how the stored grain was commandeered, guarded, and kept from spoiling and insect infestation.

A tyrannical government in the United States could attempt to follow Joseph's example, and seize a part of the current crop of wheat or other grains for stockpiling purposes. Indeed we have had considerable experience with coerced storing of farm products, although the objective was mainly to induce an artificial scarcity, to force up prices to producers, rather than to increase the future supply of consumer goods. And this venture, as is well known, soon led to cur-

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tailment of supply by restricting plantings and other devices – a fantastic piece of folly from which we are still suffering.

Grain Is a Raw Material

But my main purpose here is not to criticize government interference with agricultural operations. The point I want to emphasize, first, is that in our situation grain is a raw material, not a consumer good. Our output of grain is fed to livestock or sold to manufacturers of packaged cereal products (or exported). Conceivably the government could start a program of making us tighten our belts by storing part of the current flow of canned tomatoes and other packaged foods that could be preserved for some time (and still be fit for consumption under our fussy "Food and Drug" laws and regulations). As far as I know, however, no such program is under consideration or has been suggested.

The fact that we are not accumulating a usable food bank, however, is not the end of the story. The American standard of living today is in substantial measure composed of products that are *impossible to store.* We can increase the capacity to produce but we can't stockpile electric energy, either to provide power in productive processes or to consume as lighting and power in our homes and outside. Transportation service – by motor vehicle, train, plane, or any other means – can't be piled up for future use. The only way to enjoy a vacation trip or a jaunt abroad is to go. We can't accumulate a stock of personal services such as haircuts and shampoos. Medical service likewise can't be stockpiled. We can store books, but educational services in general must be consumed as produced. The same may be said of much of our entertainment, including horse racing and football games as well as a seat at the opera. Obviously we can become informed of what's going on only by the morning paper, the radio and TV presentations, the telephone, the mail service, and so on. There are other illustrations that might be given, but these shouldn't be necessary to make the point that taking care of our future – as a people – by either voluntary or coerced stockpiling of consumer commodities and services, as found in today's markets, is largely impossible or impracticable. It is primarily the current output of the ultimate products on which we live.

Perhaps I should add here a reference to the notion that many people seem to have to the effect that "social security," at the Federal level, is backed by "reserves,"

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on a sound actuarial basis, which assure the beneficiaries that the promises made will be faithfully kept. This view of the program is truly a mirage. There are no "reserves" involved in any meaningful sense. The funds diverted to social-security recipients, acquired by taxation or borrowing, or generated via the printing press and related means, add nothing to the output of consumer goods or the array of productive resources. Stashing government IOUs, either in the form of fancy engraved paper or just bookkeeping entries, provides no real support for meeting the expectations of eligible payees in terms of standard of living. Such "reserves" are a financial hoax, and the expense of maintaining such a system is money thrown away. It would be an improvement if the system were amended so as to make it plain that we are on a pay-as-you-go basis, over-all.

Stimulating Productivity

I've already stressed the fact that no particular level of economic output can be assured by government action, in the face of the uncertainties besetting us. And, of course, neither can private associations, insurance companies, or other nongovernmental groups, do the impossible. There are, however, some conditions, arrangements, and courses of action that promote productivity, and tend to increase the flow of consumer commodities and services – the ultimate objective of the economic process. Thus if the goal of any nation is that of maintaining – and perhaps improving – the standard of living of the population – children, grownups in the work force, those not employed for any reason, and "senior citizens" – the road to follow is the stimulation of production. A higher level of consuming, currently or later, demands a higher level of producing.

I've no intention here to go beyond a very few comments on the factors that tend to promote an increasing volume of economic output. A major requirement, certainly, is continuing improvement of tools and methods. Almost before our eyes in this country is an amazing picture of what the technological march has done and can do for us. Avoidance of waste, and efficient utilization of natural resources, are important. Another major ingredient is a climate that encourages the hustler, the go-getter, the innovator, the enterpriser. Also should be noted the importance of saving and capital accumulation, including the venture funds necessary to finance risk-taking and experiment in business activity. Hard work and diligence, in all levels and branches of

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the force engaged in production, including supervisors and administrators, are of course essential to efficient operation. Above all is needed an array of sensitive markets, capable of reflecting promptly the results of the interaction of buyer and seller views and desires. And financial facilities that serve to implement specialization and free exchange must be available.

Conversely, we must avoid like the plague all policies and practices that impede the efforts to expand output, increase the size of the economic flow. Union tactics that discourage utilization of improved machines and methods, or lead to absenteeism, inefficiency, unreasonably short hours per week, and so on, are surely not conducive to economic progress, for all of us, or for any group in the long run. Noncompetitive tendencies in business managements and organizations are similarly objectionable. Dishonesty and fraud in any sector has an adverse impact on the productive process. Interference by government agencies in business operation is seldom helpful, and is currently so extensive that it is putting a damper on individual initiative and enterprise. Onerous, progressive tax levies restrict saving and capital formation, and welfare expenditures on a vast scale, at the expense of the earners, are discouraging to the rank and file as well as to those especially talented and energetic.

In conclusion I want to acknowledge that there are still a few of us around who firmly believe that an economy dominantly private and free, with a strictly limited government role, is superior on all counts to any form of socialism or welfare state. And we believe that historically and currently the available evidence supports this stance, overwhelmingly.

IDEAS ON LIBERTY

Insecurity

THERE IS NO SECURITY to be had from any government so long as its program, intentionally or otherwise, destroys private property, promotes collectivism, and progressively discourages production. Under such a government all liberty is soon lost. Serious cause for alarm exists in the United States today.

PAUL L. POIROT, *The Pension Idea*

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BRIAN SUMMERS

What Is Seen and What Is Not Seen

MORE THAN one hundred years ago the great French economist, Frederic Bastiat, wrote his classic essay, "What Is Seen and What Is Not Seen in Political Economy!"[1] Can such an essay, written in a different time and a different land, have something to say to today's Americans? It certainly can!

Bastiat pointed out, in brilliant fashion, the universal truth that *you can't get something for nothing*. To most people this seems perfectly obvious. Yet many of these same people forget all about this "obvious fact" when the conversation turns to economics!

They say: "Look at all the good that government spending does. Look at these fine public works. Consider, if you will, the many jobs these public works create. Surely you wouldn't suggest that government spending be reduced when so many jobs depend on it."

The concrete results of government spending are what is seen. What is *not* seen is what *would have happened* to the taxpayers' money if it hadn't gone for taxes.

"What would have happened?"

The money would have been spent or saved. If it had been spent then it would have created jobs in the private sector just as jobs were created in the public sector, except that people would have been spending *their* money on what *they* wanted.

If it had been saved then, directly or indirectly, it would have been invested and turned into factories, machines, and tools. That is, the money would have been converted into capital goods that create jobs for millions of workers.

"Then government spending really doesn't increase employment?"

That's right. Jobs created by government spending are what is seen. However, they are only one side of the coin. The other side is the jobs that *would have been* created by private spending and investment if taxes weren't so high. These jobs that government spend-

1 Frederick Bastiat, *Selected Essays on Political Economy* (Irvington-on-Hudson, N.Y.: The Foundation for Economic Education, Inc.), pp. 1-50.

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ing destroyed are what is *not* seen.

"But what about the public works that government spending creates?"

We are all aware of public works. They are what is seen. What is *not* seen are the vacations never taken, homes never built, appliances never bought, and who knows what else that never came into being because the taxpayers couldn't afford them. They couldn't afford these things because the money that *would have* paid for them was taxed away and spent on public works.

In evaluating public works, we must always remember that they came into being at the expense of whatever the taxpayers' money *would have* created if the money hadn't gone for taxes. Whatever the money *would have* created is, of course, *not* seen. It is, however, the price we pay for the public works that *are* seen.

The entire question of government spending is perhaps best perceived when one realizes that the government is not a source of wealth. The people themselves are the only true source of wealth. Hence the government can only *give* to the people what it has already *taken* from the people. *You can't get something for nothing!*

Once one realizes that there are not, in fact, any economic benefits inherent in government spending, how does one decide upon its ideal level? It seems to me that the only way to decide is to consult that woefully neglected entity we call *conscience*.

How is this? What is the connection that takes one all the way from the affairs of state to one's own innermost feelings?

The connection is simply this: We live in a republic. Thus, our elected representatives act in our names. *The government is our agent!*

Hence I should ask the government to do only that which I want to feel *personally* responsible for. To me this means that governmental expenditures should be restricted to those needed to protect people from humanly initiated force and fraud. Any government spending that goes beyond this must benefit someone at someone else's expense. No matter how I look at it, my conscience tells me this is wrong.

I will not presume to tell you how you should feel about these matters. I am only beginning to know *my own* conscience! However, I do suggest that, stripped of economic nonsense by the works of such great men as Frederic Bastiat, questions of political economy are best resolved by consulting one's own inner sense of right and wrong.

What better way could there be?

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WELFARE FIFTY YEARS HENCE

MORRIS C. SHUMIATCHER

SINCE LORD BEVERIDGE drew his blueprint of the welfare state for Britain, it has become almost axiomatic in all western countries, including Canada, that governments will each year come to perform new functions that traditionally had been regarded as the responsibility of the individual.

As the state and other dominant institutions exercise their growing authority over the citizen, his own capacity to make future choices diminishes. Whilst the objects of institutional direction and control are undoubtedly initiated out of the most benign motives of creating a secure and egalitarian society, they ultimately succeed only to the extent that the citizen becomes "cabined, cribbed, confined." The paradox is that the benevolent quest for security and egalitarianism leads to a custodial society of unrelieved monotony that must corral the creative, hobble the energetic and devour the dissentient if it is to achieve its ends.

A projection of present trends, therefore, will lead us not to a new society. Rather it will return us to a society in which the elements of status are of greater importance than the constitutents of freely negotiated relationships, particularly those of contract. The senior citizen, the pensioner, the deserted wife, the dependent mother, the injured workman, the university student, the day-care-centre-charge, the treaty Indian, the "in-scope-employee", the bilingual public service employee, the uni-lingual civil servant, the prisoner, the parolee – each must be accorded his special status in a structured society that has already grown as rigid as the hier-

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archies of the feudal system of the thirteenth century. Lords and nobles, knights and serfs each in his place, performed his duties to, and claimed his rights from the authority that stood immediately above him in the feudal pecking order. What each man did was not so important as the status he occupied in the hierarchy. And while no social security numbers were then issued by the Sovereign, the place of every citizen and what he was entitled to claim of the society of which he was a part, were matters as precisely defined in the feudal age as they are now under the Social Security Act, the Unemployment Insurance Act, the Canada Pension Plan and the federal and provincial welfare statutes. Under the feudal system, so long as he faithfully conformed, the individual was assured that his master would provide him with all of the necessities for life. He required no means by which to make choices on his own. He was paid no money-wages; he did not, and indeed, could not choose where he would work or where he would spend his earnings. Why should he? Did he not have complete security? So it may be expected that, present trends continuing, within fifty years the individual will return to a neo-feudal status of total security.

But it is my view that man's growth and development do not proceed in straight or even curved one-dimensional lines. Neither do quantitative data of past events necessarily reveal the course of human conduct of the future. Graphs that may demonstrate the growth of population in the past fifty years do not necessarily chart the trend for the next fifty years. In the 1920's, some population experts predicted that by 1970, Canada's French-speaking population would constitute a majority since the birthrate of French-Canadian Roman Catholic families far exceeded that of all other groups in Canada. The emergence of French-speaking Roman Catholics as the predominant racial linguistic and religious group in Canada was bound to shape the culture and mores of Canada in the last quarter of the twentieth century. So ran the popular theory that came to be referred to as "the revenge of the cradle" for the Plains of Abraham. It was a prophecy buttressed with solid statistical graphs projected fifty years into the future. These lines went a long way to nurture the nationalistic aspirations of many who foresaw as inevitable, a French-speaking Canada. Obviously, the statistical experts of fifty years ago lacked both the facts and the imagination necessary to build into their projections the decline in influence

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of the church or the effects of the pill. These played a vital role in reversing the population trends that the statisticians thought to be inevitable. Smaller families among French-speaking Canadians, the post-war baby boom and immigration all had the effect of reducing the proportionate growth of French-speaking Canadians, and when these facts became apparent, many no longer were willing to rely on the cradle to intensify their influence and turned to other means.

The Pendulum Principle

Thus, in human affairs, the theory that if a trend be recognized, it is likely to continue, does not provide an accurate basis on which to forecast the future. It is the unexpected and the unforeseen that are likely to become the most significant factors for change. Surprise makes fools of statistics.

If some theory is to be applied in considering the state of the law pertaining to health, welfare and education fifty years hence, experience would seem to favor the pendulum principle that views human tastes and choices, institutions and standards of conduct as constantly changing and as periodically oscillating between extremes over periods of years or even centuries.

Nowhere is this more apparent than in the changing fashions of physical adornment and personal morality. The contemporary cultivation of long hair and hirsute facial embellishment is a re-run of the preferences demonstrated by royalist cavaliers of the court of the Stuarts. Our moral permissiveness is in the tradition of a licentious England in the years of the Restoration when the pendulum swiftly swung against the bleak years dominated by Cromwell's round-headed republicans. The libertarian society dominated by Edward VII was a moral and sartorial reaction against the strictures attempted by a widowed Victoria upon the ebullience of her vigorous people. The ethical self-reproach following World War I produced a pendulum-like swing from a free-wheeling morality on the one hand, to so prolific a proclamation of blue laws on the other, as to spawn a whole generation accused of being moral malefactors. Literature, liquor and libido all had their lynchers. It was some forty years before the pendulum of public opinion swung. New standards of morality were so swiftly incorporated into the law in the 1960's that some complained that society abandoned all but the barest elements of decency. Whatever one's tastes, it is common ground that trends in sartorial and moral standards have always

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moved pendulum fashion. It is my view that man's health, welfare and education, being as uniquely personal to him as his clothing and his morals, are likely to be subject to the same kind of swings. History is replete with evidence of the reversal of apparent trends. The concept of contract was the pivot upon which the feudal system's most stable concept – that of status – was reversed. As a result of that reversal, there developed a relatively free and mobile society.

State Intervention

The trends of the past fifty years have repudiated the concept of the free market place. The production and marketing of all major agricultural commodities are regulated by the state; the flow of commerce across international boundaries is controlled by law; private land purchases in some jurisdictions must be approved by a cabinet; the direct sale of commodities, from encyclopaedias to kitchen utensils, are subject to repudiation during a "cooling off period"; employment agreements are spelled out in statutes that accord special status to those who work; the practice of the learned professions is made subject to state controls; the press itself is regulated by government councils. The pendulum of such a society has indeed moved to an extreme position in its oscillations between freedom and servility, contract and status, independence and paternalism. And over the whole scene there floats, like some giant satellite, the theory that the state has eminent domain over all life and property. Upon that theory it claims and collects taxes at rates that would cause the most callous feudal lord to blush.

A reaction against this relationship between the state and the individual is inevitable.

The present position of Canada's economic and social pendulum has reached the point of a status-structured society from which the common sense of citizens will retreat when the implications of their status are recognized and the tribute they pay is assessed.

The trends that have produced the total state will be arrested and reversed when it is recognized that governments, grown greedy for money and power, debilitate and destroy the industry that is the source of a nation's wealth. Legislatures grown hyperactive produce citizens who are inactive and unproductive.

The major controls of the future, therefore, will not be imposed by public laws: they will become the restraints that individuals will exercise over their own desires and appetites, accept-

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ing the concept of Ortega y Gasset that:

> Order is not a pressure imposed upon society from without, but an equilibrium which is set up from within.[1]

The society of the future will be one in which men themselves will fashion the relationships that are expected to satisfy their needs. The sanctions of the state will be resorted to only in the most exceptional cases.

Fifty years hence, men will agree that fewer laws be passed and that fewer sanctions be imposed by the state. Governments will be moved to disengage and leave the individual free to develop a higher degree of self-discipline. Parliamentarians will take pride not in the number of new statutes they will have passed in any year, but in the number of laws they have succeeded in repealing. They will come to embrace the view of the ancient philosopher Chuang-Tzu who said:[2]

> There has been such a thing as letting mankind alone; there has never been such a thing as governing mankind. Letting alone springs from fear lest men's natural disposition be perverted and their virtue laid aside. But if their natural dispositions be not perverted nor their virtue laid aside, what room is there left for government?

This insight will be widely accepted when the sanguine promises of politicians concerning the magic of the laws they propose will prove illusory. Individuals will then come to exercise their own capacities and energies to support themselves and discover their own destinies, and they will exercise their own judgment to restrain themselves and consider their neighbors.

Egalitarianism Rejected

The concept of egalitarianism will also be rejected. The ethnic and cultural differences that became recognizable during the latter part of the twentieth century arose as a counterpoise against the rising Canadian nationalism that was reflected not only in the country's economic and cultural activities but in the declarations of almost all political personalities. So in the twenty-first century, individual differences which are the hallmark of the human personality, will be accentuated as a pendulum-like reaction against the collectivist social policies of the age. Equality of opportunity will remain a cornerstone of national

1 Mirabeau o el politico in Obras completas (1947), Vol. III, p. 603.

2 James Legge (trans.), The Writings of Kwang-zze, The Great Learning, in The Chinese Classics, vol. I (2nd ed., 1893), pp. 355-381.

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policy. But the concept that all individuals are equal will be rejected as unrealistic and retrograde. Unrealistic, because in whatever he does each man is unique and his personality differs from that of every other man. Retrogressive, because equality repudiates the concept of excellence upon which a meaningful life and a good society both depend.

The welfare state will not succeed in changing the basic nature and motivation of mankind. Men will remain self-interested though not necessarily self-centered. They will continue to be competitive whenever they are free to exercise their will to succeed and to excel. The pious policies of planners, who will design a state in which there are no losers and only winners, will fail. To believe that fifty years hence, some national *pater familias* will produce a condition of security and egalitarianism in which there will be defused man's instinct to strive to distinguish himself above his fellows, whether in the laboratory or in the boxing ring, in the concert hall or on the ice, in the market place or in the court room – is as unrealistic as a painted picture on a stage backdrop.

It May Get Worse

Of course, it may be that the pendulum has not yet swung to the extreme, and there will be more laws controlling the lives of Canadians before there are less.

By the end of the twentieth century, the costs of the welfare system will have grown so overwhelmingly that Canada will be faced with the alternative of abandoning it or of entering an era of national impoverishment. There will be no question of distinguishing then between the rich and the poor. Poverty will be the lot of all. The reasons will be apparent to our progeny. *First,* the national guaranteed annual income will, in effect, become the national universal income, and it will be the sum and total received by almost all Canadians. By definition it will continue to be regarded as a poverty income. Most Canadians will receive no less than this fixed sum though they be wholly nonproductive and content to do nothing to earn it. By that same token, most Canadians will receive no more than this fixed income even though they toil from dawn to dusk and accept onerous responsibilities. The desire to work, the capacity to work and the productivity of work actually done will be irrelevant to the income received by the individual. His needs, as determined by the Economic and Social Councils of Canada alone will govern.

Secondly, the increasing propor-

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tion of a man's wealth that the state will take, will render it impossible for him to become wealthy either by his earnings or by investment. For most, there will be a hand-to-mouth existence, and for those who are able to save, there will be no worthwhile return on investment. Saving will be regarded as an antisocial act.

Thirdly, egalitarianism will elevate the welfare recipient to the status of model citizen. The right to be supported will become the national ethic, and the duty to work and to produce will be viewed as an aberration from the norm. Under these circumstances, the nation's plant and equipment will grow obsolete; capital will disappear; production will decline and there will be achieved a society in which each citizen will share equally in the poverty of all.

Then Change Must Come

It will be then that the pendulum will swing. The concept of rights and obligations will be examined afresh, and it will be recognized that no citizen can properly claim of his fellow citizens, through the state or otherwise, an annual guaranteed income for life, as a matter of right. It will be found that while it is a simple matter for an individual to contend that he has certain inalienable rights, no right can be enjoyed by him unless some other individual is able and willing to deliver it; that rights and obligations are simply opposite sides of the same coin, and that there is no right to be had, unless there be an equal and corresponding obligation assumed by someone.

When this equation is accepted as a fact of life, the curtain will be lifted between the majestically impersonal tax-collecting machinery of governments on the one side, and the anonymous bureaucratic welfare-dispensing agencies on the other. The citizen receiving his guaranteed stipend from the state will finally become conscious of the fact that although he may not have worked for what he has received, some other citizen has; and that his right to claim sustenance is meaningful only because some other citizen has been willing to assume the burden of giving effect to his claim. He will become aware of the simple fact that his claim to the right to be supported is as empty as a cry in the wilderness except when the conscience of another human being recognizes a duty to respond to his plaint; that there really exist no rights but only obligations, and that the first obligation of every man is to care for and maintain himself and those directly dependent upon him, on the simple premise: "If I am not for myself, who

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will be?" It is then that the concept of welfare will undergo the kind of change that will assign it an appropriate place in the Canadian society: it will reassume its original purpose as an aid for the weak, the disabled and the infirm so long only as they cannot care for themselves.

No Guaranteed Life

The concept that the world owes everyone a living, so popular in the latter years of the twentieth century, will gradually fall into disrepute in the twenty-first. Observant and thoughtful people will come to regard mankind as only one of a vast variety of an infinite number of living things that inhabit the earth; that like the trees and the stars, human beings are children of the universe and to that extent they have a right to be here.[3] But since no inhabitant of the earth, save man, has ever claimed the right to be supported by all others, the welfare ethic will be rejected. In its place, there will return to prominence, and eventually, to popularity, the work ethic which, in the middle of the twentieth century, had been so denigrated.

Only by accepting and applying the desirability of work will it be possible to rebuild the Canadian economy, so seriously will it have declined in the age of the guaranteed life income. It will be many decades before Canada will find her place again among the nations whose people, in the middle of the twentieth century, led the world in industrial productivity and inventiveness.

Philosophers, historians and political scientists will wonder why it was that, after a period of fifty years of welfarism and rejection of the work ethic, the Canadian pendulum should have swung so decisively away from the lethargic, nonobjective way of life pursued by Canadians for half a century. A leading historian will say that the reason lay simply in the oscillations of the value-system. An outstanding economist will point to the paradox of the sheer poverty in the midst of vast potential wealth that finally moved Canadians to change their stance on the welfare issue and resume the serious development of their land. A distinguished philosopher will say that man, as a rational creature, could not long maintain the irrationalities of a welfare state and revolted against its strictures. A lawyer will venture the view that the change from welfare to work was simply a matter of finding a way out of bore-

[3] From Desiderata, by Max Ehrmann (1872-1945) whose statement acquired great popularity in the latter part of the century.

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dom when the fun and games of the entertainment and travel industries were no longer amusing, and people decided to use their lives seriously and to play for keeps.

Duties vs. Rights

When the measure of man is taken by the duties he assumes rather than by the rights he demands, assistance to the needy will become personalized. One of the justifiable criticisms of the welfare system throughout the latter half of the twentieth century was based upon its impersonality and hence its inhumanity. It treated all claimants according to fixed formulae that failed to take account of individual differences and idiosyncrasies. The computer determined eligibility, and the machine proceeded with its calculations as to quantum. So gargantuan had the system grown, even those who had benefited from it most came to believe that it was time to revise its procedures and, ultimately, to rethink its philosophy.

To humanize the process of assisting those in need, the welfare system will cease to be a function of government. The problems of determining who genuinely are entitled to aid will become a function of those groups and associations who have most consistently concerned themselves with humane and charitable works. The churches, synagogues and temples of the world have occupied this role for centuries, recognizing that:

> . . . the poor shall never cease out of the land; therefore I command thee, saying, thou shalt open thine hand wide unto thy brother. . . .[4]

During the twentieth century, most of these religious organizations were more concerned with charitable works in distant lands than with the needs of their parishioners and neighbors close at hand. The reasons for this curious phenomenon were twofold: *first*, since governments appeared to be assuming the burden of welfare at home, the charitable role of religious organizations became superfluous. And *secondly*, it was then, as always, simpler to love and help neighbors who lived ten thousand miles away in foreign lands than those who shared a common language and a common bathroom.

Reform Begins at Home

In the twenty-first century, men will begin to recognize that if the world's affairs are to be set right, it is necessary to first set matters right at home. When religious organizations at last renounce their

[4] Deuteronomy, 15:11.

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political ambitions and put away their international pretensions, they will regain the confidence of their parishioners who will once more make the temple and the church their house. That house in turn will be able to bestow material and spiritual comfort upon those in need. When this miraculous change appears, the same religious organizations will also win the confidence of governments, who will be grateful at last to discover a simpler, less expensive and more satisfactory way of providing funds for those who genuinely require assistance. It will be found that the parish priest knows more about the needs of the people who come to him for help, acts more wisely, wastes less and achieves a happier result than all of the clerks of all of the government welfare offices that did business in the twentieth century. He will view a man in need as a whole person and not as a mere social security number. And to the new relationship that will thus come into being, there will be brought a fresh dimension of love and understanding and faith that no Parliament had ever succeeded in leglislating, and no government had ever found a way of administering.

IDEAS ON LIBERTY

Human Rights

THOSE who favor instituting "economic rights" have invented a supposed distinction between "human rights" and "property rights." These human rights are said to be prior to and superior to property rights. Thinkers who make this distinction are accustomed to refer to all concern with money, finances, and property as selfish and motivated by the desire for "pecuniary" gain, the latter being ignoble and inhuman in its consequences. But property (or monetary) rights are reducible to the rights of human beings to the fruits of their labor and the enjoyment of their life. The expropriation of property or money is an expropriation of that part of the life of a man which he has spent in acquiring or improving his property and earning his money. More, it is an *ex post facto* incursion upon the liberties of the individual, for it is the taking from a man the product of his use of his liberty. If the right to the disposal of his property is not a human right, there are no human rights.

CLARENCE B. CARSON, *"Of Rights – Natural and Arbitrary"*

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A Program for the 70's

THE TITLE of William F. Buckley Jr.'s *Four Reforms: A Program for the 70's* (G. P. Putnam's Sons, $4.95) is a slight misnomer – actually, with characteristic largesse, Mr. Buckley offers his readers six reforms.

Save for the proposal that the American Presidency should be limited to a single six-year term, the Buckley prescriptions will hardly satisfy libertarians who distrust government to mitigate its own present and past depredations. Those who called the late Senator Robert Taft a socialist because he sponsored "lesser evil" public housing and education bills will see in Mr. Buckley's approach only a Taftian echo. But there is one difference: where Bob Taft really believed that government had a minimum duty to provide houses and schools for the laggards in society, Mr. Buckley professes no such concern beyond a wish to avoid a charge of "misanthropy." Mr. Buckley describes his reforms as "entirely procedural in character." They are not designed as "solutions," but as devices that "seek to free up constricting molds and to flush out accretions of government, so as to induce a greater freedom of movement."

In brief, the idea behind the reforms is that it might benefit the antistatist cause if the battlefields were to be changed. Mr. Buckley is not proposing that social welfare subsidies should be abolished forthwith. His proposed Welfare Reform reads this way: "Congress shall appropriate funds for social welfare only for the benefit of those states whose per capita income is below the national average." The "procedural" effect of such a reform would be to continue twenty-two states, beginning with Iowa and ending with Mississippi, as Federal welfare wards. In the twenty-eight above-average states the fight for welfare payments would be trans-

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ferred from Washington to the state capitals. Presumably the local welfarists would have to make compromises in order to keep taxpayers from moving to those states that threatened them the least. Thus "procedure" would favor the retention of the old Brandeis-Frankfurter idea that states should be prepared to pay for their own social laboratory experiments. Incidentally, the administrative savings under the Buckley plan on the back-and-forth passage of tax money between the twenty-eight above-average states and Washington might be considerable.

Education Vouchers

On education, Mr. Buckley refrains from making the effort to eradicate the memory of Horace Mann. He proposes an Amendment to the Constitution that reads: "No child shall be denied admission to a public school . . . on account of race, creed, color, or national origin, notwithstanding any provision in the Constitution of the United States or of any State. Nor shall any relief authorized by any legislature for children attending nonpublic schools be denied by virtue of any provision in the Constitution of the United States or of any State." This would allow for voucher systems, and might save a lot of private schools, both sectarian and parochial. Libertarians would still object that vouchers issued to parents for presentation as tuition money at private schools would lead to state control of curricula. ("He who pays the piper calls the tune.") But at least the voucher-aided schools would have a little immediate money to live on during a period in which they could organize to send their own defenders to state legislatures.

Shifting the Battlefield

Once again the Buckley "procedure" would shift a battlefield. As it affects parochial schools the Buckley Amendment would, of course, be mere supererogation, for freedom of religion, as guaranteed in the First Amendment, must, under any proper interpretation of the law, cover the right of churches to establish their own standards of education and the concomitant right of their parishioners to keep their share of the education tax money to pay for it. Our judges, in taking a Catholic's or a Jew's school money, have been effectively infringing the religious guarantee of the First Amendment all along. So maybe there is need for a Buckley clarifying amendment to supplement the present language of the Bill of Rights.

When it comes to tax reform,

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the Buckley "procedural" change actually does amount to a significant change in philosophy. With a bow to Friedrich Hayek's *Constitution of Liberty,* a great and greatly overlooked book, Buckley proposes that Congress should eliminate the progressive feature of the income tax along with "all deductions except those that relate directly to the cost of acquiring income." With exemptions gone, Congress should also eliminate the corporation tax. In order to counter the discriminatory features of special taxes, Congress should reimburse taxpayers below the poverty line by giving them a rebate on Federal taxes that are regressive in impact. Mr. Buckley figures that a uniform income tax of fifteen per cent would raise enough to run the Federal government even with the repeal of the corporation tax.

Criminal Justice

As for reforming the system of criminal justice, Buckley suggests that no great harm would be done by repealing the Fifth Amendment, which is periodically invoked as protection against self-incrimination. The Fifth was originally adopted to prevent brutal beatings by police, Star Chamber excesses, and other Nazi-like practices designed to force confessions. Modern technology, however, could be invoked to prevent torture; all that would be necessary would be to compel the legal authorities to keep tape recordings, oral and visual, of the interrogation of suspects.

As a matter of fact, the Fifth Amendment is already ignored in government practice. It is not accepted by Internal Revenue as an excuse for refusing to admit income derived from smuggling, theft, cheating or extortion even though the declaration of such "earnings" would obviously be self-incrimination.

Only one of the six Buckley reforms does not involve any change in the law. Feeling that something must be done about the problems posed by the longer life-expectancy of old people, Buckley would have the trustees of the ten top-rated private colleges and universities announce that beginning in 1976 nobody would be accepted into the freshman class until he had passed one year in public service, preferably in charitable and religious homes for the elderly. This would not only save on the relief bills, it would also help with the "re-establishment of a lost circuit: of spirit, and affection, and understanding."

A nice idea, since it involves nothing more than voluntary non-Statist action. But can you see it happening by 1976?

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▸ THE LIBERAL MIDDLE CLASS: MAKER OF RADICALS by Richard L. Cutler (New Rochelle, N.Y.: Arlington House, 1973) 255 pp., $8.95.

Reviewed by Emerson P. Schmidt

THIS WORK is the result of face-to-face experiences and encounters by Dr. Cutler as professor at Berkeley and Ann Arbor, vice president of student affairs and for some years as practicing child psychologist. The author's experience as vice president at Michigan separated him from his earlier "impractical liberalism." (p. 52). Now he is a self-made dedicated conservative in politics and economics and in his understanding of the human condition and student psychology. He defines neither liberal nor radical, but adequately characterizes and describes them. His account of personal experience with Tim Leary, Tom Hayden, and other rebels tends to confirm confidence in the author's diagnosis and prescriptions which pervade the book.

Middle class liberal parents, heavily occupied with their extensive away-from-home activities, entertainment, fun, and indulgences, provide few solid anchors and values for their growing children. Their affluence showers their offspring with vast quantities of toys and other playthings, babysitters, exciting amusements at theaters and via TV, and unlimited streams of edibles and beverages. Permissiveness at home, school, and in the community generates a wildness or spirit of rebellion. Drug addiction easily follows.

This satiation of every desire and want develops in the youngster a strong feeling that he is entitled to such quick response from all others. The young child need only ask, and it shall be provided by the loving parents. When he encounters the real world outside, such ready response no longer occurs. As he grows up his desires and wants multiply. They become more expensive to fulfill. At some stage deep frustration may occur.

Most of the book is concerned with a small minority of students and parents; yet these students are deeply distressed and become extreme activists. Why the majority remain calm and studious is not clear. Yet a small minority "is able to terrorize a high school, radicalize a portion of junior high school students, intimidate teachers and principals, and effectively disrupt the process of education at almost any level." (p. 46). On a campus with 30,000 students, a mere one per cent, 300, can paralyze the institution, take over the president's office or that of a dean, and disrupt an invited speaker.

The radical student is not easily

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defined. He may be New Left, Maoist, Stalinist, collectivist, state welfarist. Yet, generally he is not devoted to government centralization, or massive government ownership of industry. He is anti-establishment with a strong flavor of anarchism, nihilism, and authoritarianism. He is often more critical of government than of our capitalist system. He rarely exudes a coherent philosophy on production and distribution, on law and order, or on government. But almost anything is worth a try – at least on paper.

The author discovered that deep anxiety, fear, and individual helplessness runs through the radical's consciousness – often without the victim's awareness. These traits abound: arrogance, self-importance, intolerance for any frustration, impatience, fascination with off-the-top-of-the-head solutions, need for immediate relief from tension, intolerance of authority (police and judiciary), strident demands for total freedom with no sense of responsibility. Non-negotiable demands are advanced. (p. 50). Antagonism extends to the family, schools, the church and religion (not merely indifference). All is boring and irrelevant including parents, teachers, law and order, government, the judiciary. Anyone over 30 is passe.

Political attitudes are usually extremely juvenile and superficial, consisting largely of slogans. Much of the ranting and sloganeering calls for revolution, but without a program. Force rather than persuasion, and emotion rather than reason characterize the radical activists. Position-papers are drawn up which are replete with sophomoric rhetoric about war, defense, taxes, money, work, the ghettos, the poor, and minorities. The author does not analyse separately the black activist radical.

The radical places himself above the law; hence he is justified in using violence, arson, and murder; he blocks traffic and the orderly process of government and economic life. Freedom of speech becomes the foundation for all manner of assemblies, speeches, and publications, using language without taste or civility. No outsider merits consideration.

A special chapter "Why the Universities?" shows how they have served as the major staging and recruiting area for the revolution-minded minority. (p. 183). Apparently institutions which adhered to the traditional functions of teaching, maintained standards of rigor and intellectual discipline, and dealt forthrightly with unreasonableness as it began to occur and recognized the reality that they cannot be the allies of every

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infantile or noxious demand, have had the least difficulty. The hard science divisions of the schools have produced relatively fewer violent radicals than the arts and social sciences.

Liberal, left of center teachers, clergymen, and news media spokesmen have often nurtured and fostered this counterculture. The author provides many constructive insights and countermeasures for the concerned parent, teacher, editor, and clergyman. Marked changes are required. If the diagnosis and corrective steps provided by the author are ignored, the violent minority may increase, and continue in its troubled and troublesome course.

▶ NATIONAL SUICIDE: *Military Aid to the Soviet Union* by Antony C. Sutton (New Rochelle, N.Y.: Arlington House) 283 pp., $8.95.

Reviewed by: David A. Pietrusza

DR. SUTTON proves conclusively that the technology imported from the West by the Soviet Union has been vital to its military capabilities, both in quantitative and qualitative terms. His newest book is required reading for anyone studying or debating the topic of East-West trade.

Take, for example, the instance of Soviet mechanized military vehicles: There are over 300,000 trucks in the Soviet military arsenal – all built in American constructed plants. Until 1968, the largest of these was the Gorki plant built in 1929-1933 by the Ford Motor Company and the Austin Company. Aside from simple cars and trucks, the Gorki plant has produced armored cars, Red army staff cars, half-tracks, armored personnel carriers, amphibious carriers, truck-mounted weapons, rocket launchers, and the first Soviet wire-guided anti-tank system.

Then there is the Soviet ZIL auto factory, built by the Arthur J. Brandt Company of Detroit in the 1930's, the "Togliatti" plant built in Volgograd in 1968-71 largely with American equipment, and the Kama truck plant built in the late '60's with help from a large number of American companies and lending institutions.

"The tractor plants at Stalingrad, Kharkov, and Chelyabinsk, erected with almost complete American assistance and equipment," writes Sutton, "and the Kirov plant in Leningrad, reconstructed by Ford, were used from the start to produce Soviet tanks, armored cars, and self-propelled guns. . . . Since 1931, up to half of the productive capacity of these 'tractor' plants has been used for tank and armored-car production."

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Direct military aid, of course, was given to the Soviet Union during World War II. Since the Soviets were then our ostensible allies, there was *some* rationale for this aid – but not for the massive scale of it. Soviet requests for aid were given priority over all other Allied fronts – even those where U.S. soldiers were engaged.

Let the scope of this aid speak for itself. The Soviets received 14,018 aircraft, 466,968 vehicle units – including 1,239 light tanks, 4,957 medium tanks, 47,728 tanks, 47,728 jeeps, 182,928 two-and-a-half-ton trucks, and 491 ships including 77 mine sweepers, 28 frigates, 175 torpedo boats, and 46 submarine chasers.

The Soviet Navy, thanks to Lend-Lease, doubled in tonnage during World War II. Only a few of these naval vessels have been returned to the United States despite agreements which required their return at war's end. During the Vietnamese War, a number of these Lend-Lease merchant vessels were observed on the Haiphong run – supplying the killers of American soldiers.

In recent years, large sales of American computer technology and ball-bearing grinding equipment have aided the Soviet missile program. But the most senseless action of our government in regard to Soviet missiles involves the decision to allow Soviet specialists to *study the manufacture* of American accelerometers in 1966 – only 18 months after a Soviet agent had been arrested by the FBI for attempting to *purchase* one.

Dr. Sutton, a highly respected Stanford research fellow and the author of a three-volume study, *Western Technology and Soviet Economic Development,* has received no cooperation from the U.S. Government in his current project. In fact, he has found Soviet official sources to be more open on the subject of East-West trade than U.S. sources.

No one, after reading this work, can be comfortable with the thesis that trade with a totalitarian government is a mutually beneficial procedure.

▶ THE FASTEST GAME IN TOWN/*Trading Commodity Futures* by Anthony M. Reinach (New York: Random House, 1973) 175 pp. $10.00

Reviewed by Hans F. Sennholz

ONE of the great evils of inflation is the disruption of orderly economic production. Inflation generates malinvestments and maladjustments because economic decisions are no longer guided by considerations of consumer demand, but by the desire to preserve capital assets. Inflation tends to

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make both objectives mutually exclusive. If you maximize consumer services you may suffer capital losses; if you aim at preservation of your capital, consumer services may have to be curtailed. Calculation of cost and yield becomes nearly impossible when money is depreciating at incalculable rates. Thus, scarce resources become "hedges" against inflation rather than complementary goods in the production process.

When orderly production becomes increasingly difficult more and more businessmen turn to trading in commodities and corporate securities, commonly called speculation. After all, the maladjustments openly invite speculation while material production is hampered by inflation and other government intervention. Rampant inflation discourages production and causes many people, even those least qualified, to seek their fortunes in speculation.

It is not surprising, therefore, that the last ten years of Great Society-New Republican inflation have made speculators out of countless Americans. Every year the number of transactions on the major commodity exchanges is reported to double. Indeed, commodity speculation is inflation's most spectacular growth industry.

Now, with his great knowledge and insight gained from many years of personal experience in stock and commodity markets Anthony M. Reinach has written a book that is both informative and entertaining. But above all, it is a forceful invitation to his readers to play "the fastest game in town," the commodities market. For profit, tax benefits, or as an inflation hedge he would like us to consider buying and selling commodity futures contracts. It is true, he wisely warns us against tackling commodities "unless or until you have successfully traded common stocks." And even then you may "emerge from the commodity fray with bloody noses." (p. 29) But such occasional warnings and reservations stated in a few sentences do not in the least weaken his invitation made in glowing colors throughout the book. Reinach is a persuasive writer whose reservations are easily overlooked.

His discussion of the technical aspects of commodity trading is laudable indeed. Even a seasoned trader can learn from his analysis of trend and volume action, the characteristics of congestion areas and, above all, his technique of charting that is so essential for all trading. Nevertheless, I reluctantly take exception to the very message of his book: to join in the fastest game in town.

Thomas A. Hieronymus in his

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authoritative treatise on the *Economics of Futures Trading* (Commodity Research Bureau, Inc., 1971) reports that of a sample of 8,782 traders in grains 2,184 earned net profits of $2,064,800 while 6,598 traders lost a total of $11,958,200. If we bear in mind that some of the successful traders are professional hedgers who manage large corporate accounts for manufacturers, granaries, exporters and other large users of commodities, what then are the odds of the amateur speculator to be for long among the successful traders, the doctors, dentists, attorneys, professors in Spring Mills, Pa. or any other reader of Reinach's book?

And yet, we are not denying the important function of speculation in making a commodity market. And no one denies that large profits can be earned by exceptionally able professionals in the field. The layman would be well advised indeed to entrust a small risk capital to a successful account manager. There must be some around although this writer has not yet found one after five years of costly commodity speculation. I know there are some because I happen to know the richest speculator in town. When I recently inquired into which commodity she is trading so successfully she answered, "I don't really know. My nephew in New York is handling my account. He is the commodity manager of a well-known brokerage firm."

The present rush into commodity speculation reminds me of the 1849 California gold rush. Among tens of thousands of fortune hunters a few were spectacularly successful. The vast majority only found hunger and deprivation. By far the most successful entrepreneurs were the manufacturers and merchants who supplied the miners with food and equipment and, above all, road maps to the gold fields.

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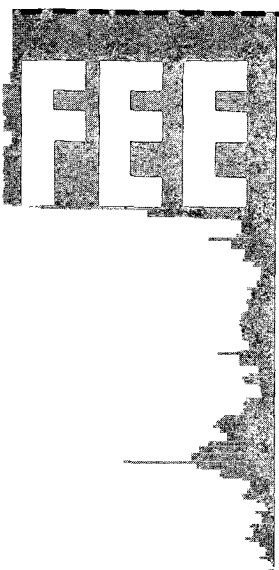

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